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Mengele on the Run: A Protector Speaks

By Richard House
International Herald Tribune

SAO PAULO — As Brazilian investigators prepared to begin major forensic work on remains alleged to be those of Josef Mengele, the Nazi war criminal, the man who claims to have sheltered him for the last years of his life has provided new details of what he said was Dr. Mengele's time in Brazil under an assumed identity.

Wolfram Bossert, 59, and his wife, Liselotte, 57, in an interview Sunday at a secluded forest hut that they said Dr. Mengele sometimes visited, denied having been in contact with any international network of postwar Nazi protectors.

"If an organization of Nazis really exists, then they should be ashamed not to have found any other protection or shelter for Mengele than a Hungarian couple or myself, who had nothing to do with it. I was 19 when the war ended," Mr. Bossert said. He denied that any organization had contacted him during the period in which he claims to have protected the war criminal.

The Bosserts say they sheltered Dr. Mengele at their farm from 1975 to February 1979, when, they say, he drowned in a swimming accident. They said Dr. Mengele disclosed his identity to them when he was certain that they would not give him away.

The search for Dr. Mengele began to focus on Brazil after West German police found a cache of letters last month leading them to a grave exhumed Thursday outside Sao Paulo. Officials have said that examination of the remains is expected to take as long as three weeks.

Opinions of officials and private Nazi hunters about the new clues to Dr. Mengele's whereabouts in the 1960s and 1970s have varied, and extensive police work remains before the claims about the life and death in Brazil of the man alleged to have been Dr. Mengele can be verified.

West German experts in Brazil said they believe the remains are those of Dr. Mengele, according



Wolfram Bossert and his wife, Liselotte, who say they harbored Josef Mengele, watch diggers exhumate remains that they claim are those of the Nazi war criminal.

'He was a very intelligent man. He was an SS officer. When there was a news article about him, he'd sit thinking for hours.'

— Wolfram Bossert

to a report Monday in a West German newspaper, but an Israeli government spokesman said that Israel would continue efforts to catch him, news agencies reported.

"I've heard of the Odessa," Mr. Bossert said Sunday, referring to an organization believed to have helped take Nazis out of Europe after the war. "It probably existed, because Mengele obviously left Germany with someone's

help. But I can guarantee that in our case there was no contact with anyone. I was alone with Mengele.

"Perhaps that's the reason why he was never discovered. If the circle had been wider then he could have been found."

Mr. Bossert said that Dr. Mengele, who had assumed the identity of an Austrian named Wolfgang Gerhard, was paranoically shy and would never go out with-

out wearing a hat because he had been told that he had a very distinctive forehead. On the street he imagined that everyone was watching him.

"He wasn't so stupid to risk his life," Mr. Bossert said. "He was very cautious. He was the most sought after man in the world."

"He had a tremendous will to live; that's why he survived so long. He used all means available to ensure his security and protection," Mr. Bossert said.

"He was a very intelligent man. Don't forget he was an SS officer. Sometimes he'd sit and think about all the possibilities. When there was a news article about him, he'd sit thinking for hours, about where the news came from and if it was true or a police plant."

Dr. Mengele, who was known as the "Angel of Death," conducted gruesome medical experiments on inmates, particularly children and twins, at the Auschwitz concentration camp in Poland and sent hundreds of thousands of Jews, Poles, Gypsies and other prisoners to their deaths.

Mr. Bossert said: "Once you know someone well and become friends, someone who likes nature, children, animals and is interested in literature and philosophy, it becomes very difficult to believe that this person could have committed such cruel crimes. The police tell me that many criminals seem like angels, but I'm still in doubt."

"It's easy to say that knowing a criminal every citizen has an obligation to denounce him. But if you know someone intimately even if he's a wanted man—I just couldn't do it," said Mr. Bossert, who admitted that he had been a member of the Hitler Youth, but minimized its importance.

Mr. Bossert quickly interrupted her husband, when he said that Dr. Mengele had lived so simply that he sometimes used torn or frayed clothes, to say that she had sewed for him. She said she had been dismissed last week from her post as a teacher after the

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Strength of Dollar Threatens Global Upturn, BIS Says

By Carl Gewirtz
International Herald Tribune

PARIS — The annual report of the Bank for International Settlements, widely viewed as the most forthright commentary about the international economic scene, warned Monday that the "speculative bubble" that has driven the dollar to levels "substantially divorced" from reality is a menace to sustaining the upswing of world economic activity.

Keeping up that economic momentum, the report said, "is the prerequisite for solving almost all

other problems" — high unemployment in Western Europe, control over inflation, the debt crisis of the developing countries and stability in exchange rates and in international financial markets.

While the International Monetary Fund and the Organization for Economic Cooperation and Development have sounded similar warnings, neither has gone so far as the BIS in raising the specter of an impending financial crisis.

The concern in official circles is whether policies are adjusted to foster what is called a "soft landing" for the dollar or whether there is a "hard landing" that creates international turmoil.

"The stakes are high," the BIS stated, "and it is the duty of policymakers to do everything to avoid financial disturbances... even if no one can attach any degree of probability to such an occurrence. Preparing the way for an orderly unwinding of the U.S. external imbalance should figure as a priority item on policy-making agendas."

The measure of this imbalance is the U.S. current-account deficit — which is at an annual rate of \$115 billion. Part of this deficit results from the U.S. business recovery being stronger than else-

where, drawing in more imports than other countries do.

But "the bulk of this deterioration has been brought about by the appreciation of the dollar, which has dramatically undermined the competitiveness of the entire international traded goods sector of the United States," the report said.

Noting that "there is no parallel for this phenomenon of an ever-strengthening currency based on ever-increasing capital inflows, with the current external account steadily deteriorating," the report warned:

"Even for the United States, however, there are limits to the current external deficits that can be run and the deterioration of the international investment position that can occur without loss of confidence in the dollar," it said.

Thus, the BIS echoes the International Monetary Fund and the Organization for Economic Cooperation and Development in urging speedy rectification of the U.S. policy mismatch, particularly the lax fiscal policy fostering a huge budget deficit and a relatively tight monetary policy that keeps interest rates and the dollar high. It is this mismatch, the BIS asserts, that has created the imbalances. Questions about whether the imbalances are "systemic" requiring an overhaul of the international monetary system — are best delayed until national policies are better adjusted.

While the BIS, like the other institutions, believes official intervention in exchange markets can be useful — at the least just to remind speculators that rate movements can go in both directions — it cautioned that recent intervention may have been responsible for the increased volatility in exchange rates.

The intervention may have instilled a sense of caution when, following reports of slow first-quarter growth, faith in the dollar became less strong. With no currency having replaced the dollar, "the exchange market has become rather directionless," the report said.

But the BIS added that "large daily exchange-rate movements with little overall change may be less harmful than unidirectional movements that carry rates to levels that are unsustainable in the long run."

Turning to the role that Japan, West Germany and Britain might play in relieving the United States of its role as locomotive of the economic revival by embarking on a policy of fiscal stimulus, the BIS noted that all three have so far refused to follow such a policy course.

While accepting the logic of the refusal, the BIS advised: "Just as the best time horizon for successful domestic policies is the medium or longer run — except in cases of an impending financial crisis — international policy coordination should also be conceived within that time horizon."

It also urged these countries "to speed up, perhaps even radicalize, their efforts towards removing structural rigidities" as a means of improving their own growth prospects.

But its major emphasis was on "the great need for far-reaching changes in the way prices and wages are set" to make both more flexible and responsive to changing conditions.

"Quite bluntly, something has gone basically wrong in the way prices are set in many Western industrial countries, first and foremost," the report said.

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Claus von Bulow

Jury Finds Von Bulow Not Guilty In 2d Trial

The Associated Press

PROVIDENCE, Rhode Island — A jury found Claus von Bulow not guilty Monday of twice trying to murder his wife, an heiress, with insulin injections.

The verdict ended a four-year ordeal for Mr. von Bulow, who had been convicted of the same charges at an earlier trial.

Cheers were heard in the crowded courtroom as the verdict was announced, and prosecutors were booed by about 150 people outside the building as they left.

Mr. von Bulow, who was indicted in July 1981 on the two charges of assault with intent to commit murder, dropped his head into his hands as the verdict was announced. He then smiled, shook hands with his attorney and embraced his lover, Andrea Reynolds, who was weeping.

"I'm very relieved, and above all I'm grateful to my attorneys," Mr. von Bulow said later. He said he now would try to lead a quiet life.

Mr. von Bulow said the most difficult part of the trial was not taking the stand in his own defense, but that he had to agree with his defense attorneys' approach that it

(Continued on Page 2, Col. 5)

Reagan To Retain SALT-2

He Says U.S. Will Destroy A Submarine

The Associated Press

WASHINGTON — President Ronald Reagan told Congress Monday that the United States would adhere to SALT-2, the unratified Strategic Arms Limitation Treaty, and he warned Mikhail S. Gorbachev, the Soviet leader, to correct Soviet violations of the accord.

"The United States has fully kept its part of the bargain, however, the Soviets have not," Mr. Reagan said in a statement.

To keep the United States under the limit of multiple-warhead missiles allowed by the accord, President Reagan said he intended to order the dismantling of a Poseidon submarine when a new Trident submarine puts to sea this fall.

But the national security adviser, Robert C. McFarlane, who read Mr. Reagan's statement to reporters, said the United States might rebuild and reconfigure the Poseidon for use as a training vessel "or for some other purpose" — as he said the Soviets have done in at least one case.

Mr. Reagan cautioned the Soviet Union that any lapses on its part involving the strategic arms limits would prompt "proportionate responses" from the United States, U.S. officials said.

The 1979 strategic arms limitation treaty, signed by President Jimmy Carter and Leonid I. Brezhnev, was condemned by Mr. Reagan, before he won the presidency, as "fatally flawed." Washington put off action to ratify the treaty after the Soviet Union intervened in Afghanistan in December 1979. The treaty expires at the end of the year.

The president's decision on the arms pact, made over the weekend at his Camp David retreat in Maryland, does not promise open-ended U.S. adherence to the ceilings the treaty places on intercontinental missiles based in ground silos or multiple warhead systems based on missiles or carried by submarines and bombers.

Mr. Reagan's action is designed to carry the United States past the next point of decision: scheduled sea trials in September for a nuclear submarine, the Alaska, whose 24 multiple-warhead missiles would take the United States over the 1,200 limit set by the treaty.

In his letter to Mr. Gorbachev, Mr. Reagan accused the Soviet Union of "extremely serious" violations of the agreement but expressed hopes that negotiators now meeting in Geneva would produce a new accord, a U.S. official said.

"The decision was seen as a victory for arms control advocates and a defeat for Secretary of Defense Caspar W. Weinberger."

Mr. Weinberger had urged the president to abandon the treaty, which the defense secretary referred to as a "pseudo" accord, said a Pentagon official who did not want to be identified.

Specifically, he has charged that the Soviet Union tested two new intercontinental ballistic missiles, the SSX-24 and SSX-25, one more than the treaty permits.

Last of Israeli Units Leave Lebanon; Peres Urges Peace Talks in 3 Months

Reuters

METULLA, Israel — The Israeli Army withdrew its last units from Lebanon on Monday but left military advisers and plainclothes agents behind to watch over the southern border zone, generals at the frontier said.

In Jerusalem, Prime Minister Shimon Peres told parliament, "Israel is completing its departure from Lebanese land and from Lebanese politics."

"In the Arab world there were rumors that Israel had its eyes on Lebanese land or water from Lebanese rivers or on Lebanese politics," he said. "All these rumors have now proved to be baseless."

"The departure of the Israel Defense Forces from Lebanon not only ends our presence in Lebanon but also puts a halt to the fears that our presence had raised," he said.

In his address to the Knesset, Mr. Peres also issued an Israeli plan for opening direct Middle East peace talks with Jordan and Palestinian delegates within three months.

The plan for peace talks, which contained no sharp departures from previous policy, called for continuing consultations among the United States, Israel, Jordan,

Egypt and Palestinians who are not members of the Palestine Liberation Organization.

As the final contingent of 30 tanks rolled across the frontier, women soldiers rushed forward to embrace arriving troops and pinned paper flowers with the words "Welcome Home" on their uniforms.

Generals said the army had now pulled out its last unit, ending a three-year occupation that cost Israel 654 dead and divided the country as never before.

Israel's three-stage pullback began in February. It was due to have been completed last week on the third anniversary of the June 6, 1982, Israeli invasion.

No official reason was given for the delay. Western experts speculated Israel wanted more time to strengthen the Israeli-backed South Lebanon Army that is positioned in a security strip in Lebanon just north of Israeli border.

Israel has said it would turn over the security zone it has established, 8 to 12 miles (about 12 to 20 kilometers) deep in places, to the South Lebanon Army. The Israelis say the mostly Christian force numbers about 2,000 men, but security

sources say its fighting strength is closer to 500.

An undisclosed number of Israeli advisers and troops were expected to remain in the zone to aid the Christian force.

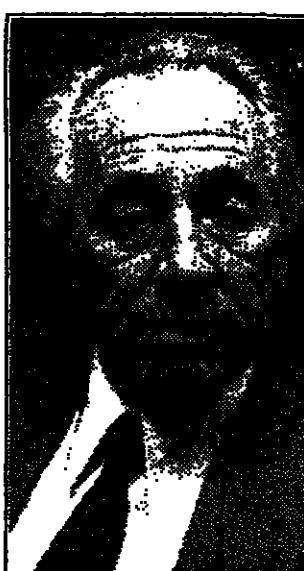
Hours before the last units pulled out Monday, two Katyusha rockets fired from Lebanon exploded at Moshav Shomera, an agricultural settlement on the border.

The rockets, which caused no damage, were the first to land in Israel since the withdrawal began. "No one who deals with Lebanon ever claimed that we should not anticipate Katyushas," said Uri Lubrani, Israel's coordinator for Lebanon. "The border cannot be sealed hermetically."

Army attack helicopters were sent into southern Lebanon in an effort to seek out the guerrillas responsible for the attack, security sources said.

The 1982 invasion was launched with the declared aim of driving Palestinian guerrillas out of rocket and artillery range of northern Israel and destroying their bases in southern Lebanon.

Outlining his peace proposals in an address to parliament, Mr. Peres rejected the call by King Hussein of Jordan for an international confer-



Shimon Peres

ence that would include the Soviet Union.

He urged that the direct talks open within three months and be attended by the United States.

Palestinian delegates should represent Arab residents of the Israeli-occupied West Bank and Gaza Strip, he said, without going into detail. Israel has already rejected participation of members of the Palestine National Council, which

(Continued on Page 2, Col. 1)

Craxi Wins Referendum Over Wages

By E.J. Dionne
New York Times Service

ROME — Italian voters rejected Monday a referendum sponsored by the Communist Party designed to overturn a key element of the government's economic austerity program.

The defeat for the Communists' proposal was a victory for the Socialist prime minister, Bettino Craxi, who said he would resign in "one minute" if the referendum were approved. With four-fifths of the voting districts counted, the referendum was turned down, 54 percent to 46 percent.

The balloting was on a Communist proposal to repeal the government's decision to cut back on the automatic wage increases that workers get under Italy's *scala mobile*, or moving staircase, the mechanism that protects them against inflation.

The proposal would have restored 4 percent points in pay increases that the government cut out of the scale in an effort to

(Continued on Page 2, Col. 3)

Air Raids Alter Tehran Way of Life

By Pierre Tailleur
Agence France-Press

TEHRAN — In the past two weeks, the war with Iraq has returned with a vengeance to Tehran, bringing a new type of commuter rush hour aimed at avoiding the air raids now occurring nearly every night.

The change in Tehran residents' way of life has been caused by 23 air raids since May 25, by the resulting casualties, by rumors fed by the authorities' refusal to give official figures about them and by the destroyed buildings.

Tehran is now divided between those who prefer hours of traffic jams in order to spend the night cramped in their cars and those who would rather take their chances in the city.

For those who leave, the process begins shortly after school, or work. From 5 P.M. to 6 P.M., tens of thousands of people pack mattresses, blankets, food and clothing into and onto their cars and then inch their way toward the foothills of the Elburz range, north of the city, or to the orchards to the south.

Latecomers arriving at their destination sometimes must travel further to find a roadside parking spot since the ribbon of cars can extend more than 20 to 25 miles (about 32 to 40 kilometers).

If the weather is good, the evening can begin pleasantly. Shish kebabs sizzles on grills, tea samovars simmer over coals, children play with new friends, adults converse quietly.

But the festive air disappears as twilight deepens. When Iraqi planes appear over Tehran, and as the flash of anti-aircraft guns punctuates the night sky, the fear becomes more palpable.

The anxiety mixes with discomfort as those without tents, or worry of the snakes and insects outside, try to sleep in their cars. By morning, the evening's fun and the night's anxiety have dissolved into irritability with the prospect of a slow, four- to five-hour drive back to the city.

When the Iraqi planes arrive over Tehran, the first warning comes by radio: "Lights out, lights out." Cars stop, and streetlights are replaced by the eerie glow of security forces' flashlights dimmed with blue-painted filters.

The security men scold those who keep their radios too loud, or their cigarettes lit.

The second warning is accompanied by sirens: "Attention, attention, red alert. Go to the shelters."

Some apartment dwellers leave their homes for wide streets, where they are less fearful of falling

shrapnel than of falling buildings. Others go to air raid shelters in their buildings although most Tehran apartment buildings are flimsy and are likely to bury anyone in their cellars if they take a direct hit.

Most who stay in the city, whether at home or in shelters, keep their money, jewels and identification papers with them and have a flashlight and radio at hand.

There have been 23 such raids in the past 16 days. They have created several new markets for "ready-made" shelters, for transmitters and sleeping pills, for mass transport to the countryside and for sublet dwellings in the suburbs.

The raids have also helped thieves who use the exodus to clean out homes abandoned for the night.

■ **Missile Strike on Baghdad**

Iran reported a long-range surface-to-surface missile strike on Monday on Baghdad, the third such attack on the Iraqi capital since May 26, Reuters said. Iran's national news agency, IRNA, monitored in London, said the attack was launched at sundown in retaliation for Iraqi air raids.

Long-Range Problems Face U.S. Computer Industry

By Andrew Pollack
New York Times Service

SAN FRANCISCO — Advanced Micro Devices Inc., a maker of computer chips, celebrated last Christmas with typical Silicon Valley flamboyance — a \$700,000 employee Christmas party featuring entertainment by the rock group Chicago and a 50-piece orchestra.

Six months later, Advanced Micro is making its employees work longer hours for no extra pay and will close its factories for two weeks to cope with plunging earnings and possible losses. It has introduced an austerity program called *Staunch*, which stands for "Stress Those Actions Urgently Needed to Check Hemorrhaging."

The computer industry, long considered one of the industrial bright spots in the United States, has plunged into a sudden, deep and unexpected slump that shows no signs of disappearing.

The slowdown has proved a rude shock to an industry that has always believed in its own boundless future. Some executives are beginning to suggest that the old days of extravagance may be gone for a long time.

"It's the worst downturn in my experience," said W.J. Sanders 3d, chairman and chief executive

officer of Advanced Micro Devices.

Hardly a day passes without a company in the field announcing a temporary plant slowdown or layoffs. In recent days, National Semiconductor Corp., another maker of computer chips, said it would lay off 1,300 workers, while Wang Laboratories Inc., a producer of computers and word processors in Lowell, Massachusetts, announced 1,600 layoffs and said it would lose money for the first time.

Slowdowns in the computer industry have occurred before, but this one appears to be different. What worries the industry and outsiders about this downturn is that it comes at a time when the economy, while not robust, is not in a general recession. This suggests that other factors are at work that could be more permanent.

This slump also seems more pervasive. The personal computer boom continued through the 1981-82 recession, for instance. But no segment of the electronics business, with the exception of military electronics and aerospace, has escaped this time.

Such companies as Hewlett-Packard Co., Digital Equipment Corp. and Wang, once paragons

of American technology, are having difficulties.

So are Apple Computer Inc. and ComputerVision Corp., which soared through the 1981-82 recession. Even International Business Machines Corp. has seen its earnings slump.

Never before, experts say, has it been so hard to earn a profit in the computer industry. To find out why, executives and analysts who follow the industry were interviewed in the past few days. What they see is an industry facing problems, many of them new, that may not be resolved soon.

'All that overdoing comes home to roost a few years later.'

— Simon Ramo, Founder of TRW Corp.



Simon Ramo

Industry executives differ as to the causes of the slump and about how long it will last. "We're having a hard time correlating what's going on," said John A. Young, the president of Hewlett-Packard. Some, like Mr. Young, think the technology industry will rebound eventually. Others think it is going through a major restructuring and will never be the same.

"There is danger here," said Andrew S. Grove, president of Intel Corp. "This is not another slowdown. It's a shakeout. A whole lot of companies won't

come out of it anywhere near the way they went in."

Many explanations of the problems are offered. Certainly the strength of the U.S. dollar has hurt exports of technology, and weakness in the manufacturing sector of the U.S. economy has slowed computer and semiconductor purchases. Some companies are victims of their own mismanagement or of competition from IBM, the largest computer company by far.

The main problem appears to be not lack of demand but oversupply of products and overcrowding of companies into the market. Also, foreign competition is taking its toll on U.S. computer companies. For the first time last year, the U.S. balance of trade in electronics showed a deficit.

There is widespread agreement, too, that the computer industry is feeling the pain of its own excesses. Too many companies specializing in the same things have been formed, each lured by potential riches and each believing in its own success. In a time that has been widely hailed as the era of the entrepreneur, many people think the computer industry is suffering from the ill effects of the entrepreneurial spirit run amok.

"All that overdoing comes (Continued on Page 6, Col. 7)

UN Aides Begin Probe On Taking of Finnish Hostages in Lebanon

By Edward Walsh
Washington Post Service

JERUSALEM — United Nations officials began an investigation Monday into the deadlocked hostage dispute that began Friday between the UN peacekeeping force in southern Lebanon and the

Israeli-backed South Lebanon Army.

A French brigadier general, Jean Pons, who is the deputy commander of the United Nations Interim Force in Lebanon, or UNIFIL, was put in charge of the investigation into the incident. More than 20 Finnish soldiers from the UN force were abducted by the South Lebanon Army.

The militia, with the backing of its Israeli sponsors, was holding 21 of the Finns and demanding that the rival Shiite Muslim militia Amal release 11 South Lebanon Army militiamen who were captured Friday. Israel and the South Lebanon Army have charged that a Finnish unit of UNIFIL assisted Amal in the capture of the 11 militiamen.

[Finland condemned Monday the seizure of its troops in southern Lebanon and appealed to the UN and "relevant" governments to take urgent steps to release them. Reuters reported from Helsinki.]

Timor Gökseel, the UNIFIL spokesman, said UN officials were informed Monday that the 21 Finnish captives have been moved to the southern Lebanese town of Marjayoun, where the South Lebanon Army of Antoine Lahad has its headquarters.

Mr. Gökseel said that UNIFIL liaison officers met with an official from the South Lebanon Army on Monday in an attempt for UN medical teams to gain access to the Finnish soldiers. But he said that no agreement was reached because the militia was demanding a meeting with the 11 men being held by Amal.

"The problem is that they have our men but we don't have their men," he said.

Mr. Gökseel described the investigation headed by General Pons as a routine, in-house inquiry that is required after any serious incident. He denied widespread reports in Israel that it was ordered by the UN secretary-general, Javier Pérez de Cuellar.

As the hostage dispute continues, Israel apparently is hoping to use the incident to gain concessions from UNIFIL for the de facto recognition of the South Lebanon Army, which is trained, equipped and financed by the Israelis.



Some of the Finnish members of the UN peacekeeping force who are being held hostage by the South Lebanon Army.

Last of Units Quit Lebanon

(Continued from Page 1)

functions as a Palestinian parliament in exile.

Mr. Peres told parliament the plan entailed enlisting support from permanent members of the UN Security Council for direct talks among Israel, Jordan and the Palestinians.

His move followed a Jordanian call for an international conference including the Soviet Union and the United States, as well as Britain, France and China.

Israel and the United States oppose such a conference. Mr. Peres' proposal to seek Security Council backing was an apparent response to King Hussein's call for an international umbrella for the talks.

"Despite the obstacles and the difficulties along the way, it is possible to reach direct negotiations," Mr. Peres said.

He said Israel was willing to make "a major contribution."

"It is possible that there is a change in atmosphere in the Middle East," Mr. Peres said. "It is possible that an opportunity has been presented, that it is forbidden to miss."

Beirut Gunmen Seize U.S. Educator

Reuters

BEIRUT — Unidentified gunmen have seized a U.S. citizen who is a dean at the American University of Beirut, in what might have been an attempt to capture the university's president, Calvin Plimpton, university sources said Monday.

Thomas Sutherland, 54, dean of the university's agricultural and food sciences faculty, was ambushed Sunday on his way from the airport to his campus residence.

No group has yet claimed responsibility for the abduction.

The seizure of the dean underlined the insecurity in Beirut, where Shiite Muslim forces took their siege of Palestinian refugee camps into the fourth week. Also, there were clashes along the line dividing Moslem West Beirut from Christian East Beirut.

As sporadic shooting and shelling continued around the camps, officials of the International Committee of the Red Cross voiced concern that they had not been allowed to further rescue operations but have not been given the necessary security guarantees, a Red Cross official said.

The professor, who is from Fort Collins, Colorado, was the fourth Westerner on the university staff to be abducted in six months.

Professor Sutherland, who was born in Scotland, has a wife and children, all in the United States.

No group has yet claimed responsibility for the abduction.

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After firing at the tires of the car, the gunmen, traveling in at least two vehicles, grabbed Professor Sutherland but let his driver go, according to the university spokesman, Radwan Mawlawi.

Professor Sutherland had no bodyguard and "never let us feel he was afraid of anything," the spokesman said.

The Red Cross has moved 93 wounded from Borge Barajni in earlier evacuations, but officials who accompanied a UN relief convoy into the camp on Saturday said about 300 sick or wounded people were crowded in its only hospital.

Red Cross ambulances have been denied access to the Chatila camp, where Palestinians say about 180 wounded persons are trapped in a mosque. Long after fighting stopped at the nearby Sabra camp that was captured by Shiite Amal militia forces, the Red Cross was allowed in to remove 12 bodies.

More than 520 people have been killed and 2,200 injured since the Shaites began their assault on the camps. The attacks are said to aimed at preventing the Palestinians from regaining the power they had before the Israeli invasion of 1982.

In Kuwait, George Habash, a Palestinian leader, said Monday that Syria was behind the Shiite attacks on the refugee camps. Mr. Habash heads the Popular Front for the Liberation of Palestine.

Von Bulow Is Acquitted In 2d Trial

(Continued from Page 1)

was a "medical case and there was no wrong done."

The eight-woman, four-man jury deliberated about 14 hours over four days before reaching its verdict. It had heard six weeks of testimony from 42 witnesses.

"This is a jury who clearly hasn't had any trouble coming to a decision," Superior Court Judge Corinne P. Grande said.

Mr. von Bulow, 58, was charged with injecting Martha von Bulow, known as Sunny, with insulin and inducing the coma she suffered during Christmas vacations in 1979 and 1980 at the family's Newport mansion.

Mrs. von Bulow recovered from the first coma, but doctors say the second is irreversible.

In 1982, a jury deliberated 37 hours over six days before finding Mr. von Bulow guilty, but that verdict was overturned last year by the Rhode Island Supreme Court on state constitutional grounds.

Mr. von Bulow's chief defense attorney, Thomas P. Puccio, relied on nine medical experts in arguing that insulin injections did not cause the coma.

Mr. Puccio maintained the comas were induced by Mrs. von Bulow's abuse of drugs and alcohol. Assistant Attorney General Henry Gemma said he was "very disappointed."

"This has been a complete and total commitment for the past six months. We gave it our all, but after four days of deliberations, the jury said there was reasonable doubt," he said.

The prosecution was able to persuade Mr. von Bulow's former lover, Alexandra Isles, to return from Europe and repeat her 1982 testimony that she had given him a deadline for divorcing his wife shortly before the first coma.

She also testified he told her of watching his wife suffer for hours during that coma before deciding he could not go through with letting her die.

But the state was not allowed to allege again, as it had in 1982, that Mr. von Bulow wanted to inherit his \$14 million share of his wife's \$75 million fortune for holdings in Pittsburgh utilities.

WORLD BRIEFS

Mitterrand Warns on Farm Trade

PARIS (Reuters) — France will oppose in future international talks any pressure for free trade in farm products, President François Mitterrand said Monday.

"In the extremely fragile sector of food production I do not believe that totally free trade is the only way to stimulate economies and best satisfy the needs of everybody," he said in an address opening the annual ministerial meeting of the United Nations World Food Council.

Farmers in developing countries cannot compete against mechanized producers, Mr. Mitterrand stressed. His comments, accompanied by a plea for action to help African farmers, indicated that France has not softened its resistance to demands by the United States for freer agricultural trade.

Blackmail Alleged in British Spy Case

LONDON (AP) — Seven British servicemen stationed in Cyprus systematically fed top-secret military information to a foreign power under blackmail threats that their homosexual activities would be exposed, prosecutors said Monday.

"They as servicemen acted as spies and as spies they betrayed to the agents of a foreign power some of this country's most precious military secrets," said Michael Wright, a prosecutor, in London's Old Bailey Central Criminal Court. The servicemen have pleaded not guilty to 28 charges under Britain's Official Secrets Act. They are charged with spying between Feb. 1, 1982, and Feb. 6, 1984, while stationed at Britain's Episkopi military complex in southwestern Cyprus.

Beijing, Bonn Reach Nuclear Accord

BONN (Reuters) — China moved a step closer Monday to buying up to four nuclear reactors from West Germany when it signed a memorandum on long-term nuclear energy cooperation with a leading reactor supplier, Kraftwerk Union AG.

The document was signed at a ceremony attended by Chancellor Helmut Kohl and Prime Minister Zhao Ziyang of China, who is here on a nine-day visit, after the two held talks lasting just under three hours.

China and West Germany also signed three agreements aimed at strengthening their already flourishing economic ties.

The sale of four 1,000-megawatt pressurized water reactors which Kraftwerk hopes to clinch in the face of strong competition would involve a wide-ranging transfer of German technology enabling China to build eventually its own nuclear plants.

Nicaragua Rebels Admit Loss of Bases

MANAGUA (UPI) — U.S.-backed Nicaraguan rebels, saying they "badly need arms and ammunition," acknowledged that Nicaragua's army captured two of their major bases in an offensive that damaged their campaign to topple the government.

A radio broadcast Sunday by the Democratic Revolutionary Alliance was the first report about clashes with Nicaraguan troops in a jungle area 150 miles (about 240 kilometers) southeast of Managua. The army began an offensive last year against alliance bases, driving large numbers of guerrillas into Costa Rica.

"The Sandinist Army has taken our bases in El Castillo and La Peca," the alliance said over the radio. The camps are less than 40 miles apart, near the border with Costa Rica. "We continue to resist, but we badly need arms and ammunition," the alliance said. "It has become difficult to supply our men in the continuing fight."

For the Record

The European Court has told Italy to abolish automobile registration rules aimed at preventing Italians from importing cars from France, West Germany, Belgium and the Netherlands at prices below domestic levels, court officials said Monday.

Two leaders of a gang that carried out Britain's biggest cash robbery were sentenced Monday to 22 years in prison each. The judge said he regretted he could not recover the \$6.3 million (then \$10.3 million) they stole in 1983 from Security Express headquarters in London.

Prime Minister Laurent Fabius of France arrived in East Berlin on Monday for a two-day visit and conferred with Erich Honecker, the East German leader. It marks the first official visit to East Germany by the head of government of one of the city's three Western occupation powers. (UPI)

Dr. Mengele on the Run: A Protector Gives Details

(Continued from Page 1)

revelations about the couple's alleged connection with Dr. Mengele.

Mr. Bossert said that when he wrote to Germany advising Dr. Mengele's family of his death and burial on Feb. 8, 1979, "I said probably they'd agree to maintain the secret. They replied in a letter that naturally the case was much too dangerous to be revealed and that much water would have to flow under the bridge before this could be exposed. So I kept the secret."

"The contact was Hans Sedlmeier," Mr. Bossert said. Mr. Sedlmeier is a former employee of the Mengele family company in Ginzburg, West Germany, and the man who the Bosserts claim was Dr. Mengele reportedly had received sporadic payments of dollars from him.

"Sedlmeier brought money once, but it was never a regular thing," he said.

Part of this money had been invested in a small farm at Calceiras, where Dr. Mengele had lived with his first protectors in Brazil, Geza and Citta Stammer, the Hungarian couple. Mrs. Stammer's testimony to police Friday corroborated some details provided earlier by the Bosserts.

The Bosserts said that Dr. Mengele was responsible for restoring farm buildings, and when the farm was sold the Stammers made regular payments to Dr. Mengele for his half share. They said that he didn't spend anything, that he just worked for his food.

The 20-acre (8-ha) farm set in a remote wooded valley reached by an overgrown track, was visited twice yearly by Dr. Mengele, according to Mr. Bossert.

"He was interested in books in which he appeared and about the place where he'd worked," Mr. Bossert said. He said Dr. Mengele also received medical and biology textbooks from Germany.

Mr. Bossert said the real Gerhard, who had passed on his identity documents to Dr. Mengele and then died at Graz in Austria in 1978 under what he called "funny circumstances," was a Nazi and "a bit fanatic." He was a member of the Hitler Youth, he added.

"He spoke of the Hitler Youth — but everyone participated in that. Even I was a junior leader," Mr. Bossert said. He said Gerhard, who had first introduced him to Dr. Mengele, had been "very astute in testing us out to see if we were the kind of people who might denounce someone. He soon realized that threats wouldn't work; I'm different" than Mr. Stammer, who he

said had been threatened to keep silent.

In Tel Aviv, an Israeli government spokesman said that while the Brazilian tests are being conducted, Israel "would continue its efforts to catch Mengele and bring him to justice in Israel."

Menachem Russek, head of an Israeli police detail charged with investigating Nazi war crimes, told Israeli radio that he believes that Dr. Mengele is behind the reports of his death in a desperate attempt to stop the worldwide manhunt for him.

The coroner who examined Gerhard after the drowning said he saw no reason to question the victim's age on his identity card — 54 — which would have made him 14 years younger than Dr. Mengele would have been in 1979.

The head of the São Paulo morgue, Rubens Maluf, and the coroner, José Antonio de Melo, said they plan to begin the forensic investigation by cleaning the bones and rebuilding the skeleton. But the only positive identification can come from 1938 dental records provided by West Germany. The remains exhumed Thursday contained seven natural teeth, two dentures and a gold crown or cap.

"If any of these teeth were treated in Germany, then the records could be of great value," Mr. de Melo said.

Brazilian authorities have agreed to allow U.S. and West German experts to work with them to determine if the remains are those of Dr. Mengele.

Family to Break Silence

Rolf Mengele, Dr. Mengele's son, plans to break his family's silence with a statement in the next 24 hours, his secretary said Monday, according to a Reuters report. Mr. Mengele has a law practice in Freiburg, West Germany.

California Plans To Catch Condors

Los Angeles Times Service

LOS ANGELES — The California Fish and Game Commission has voted, 5-0, to recommend that all remaining wild California condors be captured and placed in protective custody in zoos. There may be as few as nine of the birds left in the wild.

The commission's action, taken Thursday in Sacramento, conflicts with a proposal by the U.S. Fish and Wildlife Service to capture three adult condors for mating purposes and release three young captive birds into the wild.

Both state and federal officials said that an attempt would be made this summer to reach a compromise on the plans. The condor population has been declining rapidly as its habitat is taken over by residential, commercial and industrial uses.

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Indians in New Delhi Protest the Practice of Bonded Labor

Impoverished Indians held a demonstration Monday at the Taj Mahal Hotel in New Delhi to protest the outlawed practice of bonded labor, under which workers pay off debts they or their ancestors have incurred. The protesters used dancing monkeys to contrast their cause with the Indian cultural festival held recently in Paris that featured dancing bears. Another festival is to be held in Washington, which Prime Minister Rajiv Gandhi is to open this week. The demonstration was organized by youths from the opposition Janata Party.

Ethiopians, Heading Home, Face Famine

By Blaine Harden

Washington Post Service

NAIROBI — Africa's largest tide of refugees has begun flooding back from Sudan into the Ethiopian highlands, where relief officials say there is little food, a rekindled civil war and a likelihood that many who return will die.

For eight months, refugees in search of food streamed from Ethiopia into Sudan at a rate of up to 4,000 daily. Now, lured by rain in Tigre province, more than 50,000 have abandoned refugee camps along the Sudanese border in the past month to begin the three- to four-week walk back to their farms, according to a spokesman for the Office of the United Nations High Commissioner for Refugees.

"This is a spontaneous thing against the advice of relief workers, who are telling these people they are not fit to make this journey, that their children will die along the way, that there is no food when they return," said Hugh Hudson of the UN refugee office in Nairobi.

"These people always told us they did not come to Sudan to stay, only because they were desperate," Mr. Hudson said. With the arrival of rain, he said, "their instinct is to go back for plowing."

The refugees are returning to a no-man's-land struck by famine where rebels of the Tigre People's Liberation Front and soldiers of the Ethiopian Army have been fighting for more than a decade. The Ethiopian military, with

weapons and aircraft provided by the Soviet Union, holds the region's cities and a few major roads, but the Tigrean guerrillas move freely through most of the countryside.

A senior relief official in Addis Ababa said that the government had begun an offensive in Tigre. He added that "security considerations" there had limited the flow of relief aid into the region for months.

Rebels in a statement from London, said the food situation in Tigre is becoming increasingly desperate. The statement, which blamed the United Nations for failure to move food north from Addis Ababa, said at least 68 peasants have died from eating dirt.

But refugees returning to Tigre are willing to endure the renewed fighting and the possibility of starvation because they no longer can tolerate living in Sudan, according to Mr. Hudson.

"People think Africa is Africa, that all places are the same," he said. "That just isn't true. These Tigreans are mostly Christians from highland, temperate country. It is just as difficult for an Ethiopian in Sudan as it is for a European. These refugee camps are a living hell for the Tigreans."

Daytime temperatures in the treeless desert along the Sudanese border, where six camps sprang up in the past half year to house 235,000 Ethiopian refugees, routinely go above 110 degrees Fahrenheit (43 degrees Celsius). In re-

cent weeks there have been dust storms, one of which flattened half of the tents in a camp of 20,000 refugees and destroyed six food warehouses.

Like all feeding centers crowded with sick and malnourished people, the refugee camps are rife with disease. Relief officials say there is an outbreak of cholera in Wad Kowli, a camp of about 30,000. Vitamin A deficiencies have caused an epidemic of xerophthalmia, an eye disease that dries up the eyeball and causes blindness.

Vitamin C deficiencies have caused scurvy among refugees and are responsible for large numbers of slow-healing sores and abscesses. Christian Tigreans also have found themselves less welcome in the camps, situated in the Moslem

part of Sudan, than their compatriots from Eritrea, most of whom are Moslem and have chosen to remain.

When Tigreans say they are going back, Mr. Hudson said, refugee workers give them as much food as they can carry, extra rations of vitamins and a physical checkup to see if they have "a minimal survival fitness."

"Even when they are advised not to go, we are not able and not willing to physically prevent them," he said. "Fathers take their children out of supplemental feeding programs. These people don't want to split up their families. They insist on staying together even if they have children die on their hands."

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Tibet Is a Dim Memory For Some Exiles in India

Students Learn Hindi, Enjoy Films But Keep Ancient Buddhist Values

By William Claiborne

Washington Post Service

LEH, India — Jangye Dorgee was a young boy when he hiked through snow-covered Himalayan mountain passes with his older brother in 1972, arriving in the harsh hills of Ladakh exhausted, dazed and overwhelmed by loneliness.

His parents had been arrested by the People's Liberation Army of China, ostensibly for failure to pay taxes. They have not been heard from since. Mr. Dorgee said he is "pretty sure" that both are dead.

Now a student at the Tibetan Children's Village near here, Mr. Dorgee dreams of going to college in India, of becoming a physicist and of returning to Tibet. But he admits that his memory of home is becoming dim.

"I'd like to go back if I get a chance. Yes, I think I would if that's possible," he said, somewhat unconvinced.

For Mr. Dorgee and more than 100,000 Tibetan refugees who have fled to India, the passage of time is distancing them from their homeland, which on a clear day is visible from many of Ladakh's mountain peaks.

It has been 26 years since thousands of Tibetan refugees followed their leader and god-king, the 14th Dalai Lama, on his final flight to exile in India in 1959 after the Chinese crushed a Tibetan uprising.

Now more than ever before, the refugees face the dilemma of not knowing whether to assimilate into the society that has welcomed and sustained them, or to cling to their traditional culture in the hope that someday they will return to a Tibet that has undergone a vast transformation under Chinese rule.

For the most part, Tibetan refugees have tried to do both. In their schools here and in refugee settlements in southern India, the Tibetans learn Hindi or the prevailing regional language as well as En-

glish, and they have become avid fans of popular Hindi films.

Their food habits have changed, with a growing preference for the Indian staples of lentils and rice; in Tibet rice is cooked only for ceremonial purposes. The traditional Tibetan pigtail virtually has vanished among refugee men, and their clothing styles have gradually adapted to Indian norms, particularly in the hotter climates of southern India.

But according to Namgyal Dorje Teykhang, the Dalai Lama's chief representative in Ladakh, Tibetan refugees have abandoned neither their ancient Buddhist cultural values nor their collective dream of the liberation of Tibet.

"Since 1959, we have hoped for independence for Tibet. If we get it, everyone will want to go back. If we don't, nobody will want to live under Communist rule," Mr. Teykhang said.

Refugee leaders acknowledged that to a large extent the refugees' cohesive will can be attributed to the organizational mastery of the Tibetan government-in-exile, situated in Dharmasala in the hills of Himachal Pradesh about 120 miles (193 kilometers) southwest of here.

The Dalai Lama, as spiritual and temporal leader of all Tibetans, heads a sprawling government bureaucracy there. With considerable assistance from the Indian government, it manages the welfare of the approximately 110,000 refugees scattered in more than 40 agricultural and agro-industrial settlements throughout India. About 8,000 refugees have not yet been resettled.

Although the Dalai Lama's spokesmen sidestep the subject to avoid jeopardizing the Indian government's relations with China, refugees still are trickling across the Chinese border to seek sanctuary in India.

The exile government in Dharmasala, Mr. Teykhang said, recruits virtually all college graduates from among the refugees to oversee an extensive welfare system. The system, with some exceptions, provides Tibetan refugees with material comforts superior to those in most refugee camps elsewhere in the world.

The 510 boarding students in the Children's Village near Leh, for example, live in attractive, solar-heated bungalows, and another 1,200 day students will soon move into a sprawling new school.

Although they are poor even by Indian standards, the industrious Tibetans have built a thriving handicrafts industry that markets goods throughout India and for export. Even in the alien climates of Karnataka and Orissa in southern India, Tibetan farmers have managed well with land provided by the Indian government.

Tashi Wangdi, the Dalai Lama's chief representative in New Delhi, said he doubted the refugees' relative comfort would lead to further assimilation and a diluting of their will to return to their homeland.

"I don't think so. Maybe after a few generations, but not in the foreseeable future," he said. "I have relatives still in Tibet. I cannot forget my brother."



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25 Independents Win in Hungary

The Associated Press

BUDAPEST — Independent candidates have scored their biggest gain since the country came under Communist control at the end of World War II, winning 25 seats among the 387 in the Communist-dominated parliament.

Results released Sunday showed 16 losers to unofficial candidates included Jenoe Fock, a former prime minister, and Bela Biszku, a former interior minister. Independents had been permitted to run since the 1970s but only one had previously been elected to parliament.

The Saturday elections were the first since a 1983 law established that at least two persons had to run for 352 of the seats. Thirty-five seats are reserved for top government or Communist Party officials. The Patriotic People's Front, the Communist organization that dominates Hungarian politics, nominated two of its own candidates for most seats but voters nominated others in 71 districts.

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5 European Sports Ministers To Meet on Soccer Violence

Compiled by Our Staff From Dispatches
AMSTERDAM — Ministers of sport from five West European countries will meet here Tuesday to try to agree on measures to combat soccer hooliganism, Dutch officials said Monday.

Their agenda was expected to include ways to prevent consumption of alcohol inside stadiums, ensure stricter allocation of tickets at major events and impose heavier fines for troublemakers.

The meeting, an initiative of Joop van der Reijden, the Dutch sports minister, was convened after a riot blamed on rampaging English soccer fans killed 38 persons and injured more than 450 in Brussels on May 29 at the European Cup final between Liverpool and Juventus of Turin.

A spokesman for the Dutch Ministry of Welfare, Health and Culture said that measures recommended here by the sports

ministers of Britain, France, West Germany, Belgium and the Netherlands would be submitted to the 21-nation Council of Europe in Strasbourg, France.

In Brussels on Sunday, a Belgian newspaper quoted an official report as saying that police admit they made a series of mistakes in handling the soccer riot.

La Libre Belgique quoted the commander of the police force, Lieutenant General Robert Bernaert, as saying in his report to the government and Parliament that too few police were inside Heysel Stadium, that officers did not realize fast enough what was happening, did not react in time and did not call for reinforcements.

Some radio appeals from policemen in the stadium also were not heard by their commanders because of the deafening noise at the arena, it quoted General Bernaert as saying.

The tragedy occurred when supporters of England's Liverpool club charged fans of Italy's Juventus team before the game. Many of the victims were crushed when a wall collapsed or were trampled to death in the ensuing panic. Juventus won the match 1-0.

The police detachment on duty was adequate to handle most incidents, General Bernaert reported, but "most were outside the stadium and those inside were too few when riots broke out."

The platoon leader at the stadium called for reinforcements but his squad commander did not hear him because of the noise, the newspaper reported. The squad commander later failed to call for reinforcements.

The section where people were trampled was to have been occupied by neutral fans, but Italian and British supporters were allowed there instead. (Reuters, AP)



Rauf Denktaş

Denktash Wins North Cypriot Vote

NICOSIA — Rauf Denktaş, the Turkish Cypriot leader, has won a landslide victory in presidential elections in the breakaway state that was proclaimed in northern Cyprus two years ago.

The counting of ballots was completed late Sunday night. Mr. Denktaş received 70.5 percent of the vote, Alpay Durukan 9.2 percent and Ozker Oguz 8.4 percent. Three minor candidates shared the remaining 1.9 percent.

Mr. Denktaş told a jubilant crowd in the center of northern Nicosia: "The world will have to respect the republic founded with your good will and I promise you there will be no agreement in Cyprus without the guarantee of Turkey for your security."

He said in an interview that he was still willing to establish a federation with Greek Cypriots on the island, "but only on a basis of equality."

Turkey invaded and occupied the northern third of Cyprus in 1974 after an abortive Athens-backed coup. Only Turkey recognizes the Turkish Republic of Northern Cyprus. The international community acknowledges only the Greek Cypriot-run government of President Spyros Kyprianou.

EC Refuses Recognition

The 10-member nations of the European Community said Monday that they will not recognize Mr. Denktaş's election, United Press International reported from Rome.

In a statement issued by Italy, the current president of the community, the EC members said they "do not recognize the 'Turkish Republic of Northern Cyprus' and, as a consequence, will not recognize any so-called 'constitutional' development on the part of northern Cyprus."

Marshal Ogarkov Reappears In Soviet With Military Book

By Dusko Doder
 Washington Post Service

MOSCOW — Marshal Nikolai V. Ogarkov, who was removed last September as the Soviet chief of staff, returned to public life Sunday with a new book on strategic issues.

The book, published by the Ministry of Defense, stirred speculation that the 67-year-old marshal had been rehabilitated. Marshal Ogarkov is noted for intelligence, poise, extensive knowledge of strategic doctrine and a basic hard line.

According to a review, the book, "History Teaches Vigilance," says the United States and its military policy and doctrine pose the main threat to peace. Marshal Ogarkov calls on the Soviet Union to increase its "economic and defense potential" to counter U.S. "aggressive designs."

The review, prepared by the feature press agency Novosti, indicates that Marshal Ogarkov's book echoes the propositions of a book he published in 1982, which called for greater preparedness not only by the armed forces and military industries but also by all the sectors of the nation's economy.

The publication of the book left unclear whether this reflected a revival of a hard line in the armed forces or possibly a broader policy shift within the new Kremlin leadership headed by Mikhail S. Gorbachev.

The new leaders are accusing the Reagan administration, even though it has resumed arms talks with the Soviet Union in Geneva, of planning to destroy the arms control process.

An editorial in the Sunday issue of Pravda, the Communist Party newspaper, accused Washington of preparing to wreck SALT-2, the Strategic Arms Limitation Treaty which was signed in 1979 but has not been ratified.

The only point at issue is what methods of scrapping the treaty would be less painful to the United States from the point of view of world public reaction, Pravda asserted. "Whether the commitments assumed by the United States under the treaty should be abrogated openly and in full or whether this should be done creepingly, step by step."

Marshal Ogarkov was chief of staff and first deputy defense minister for seven years before he was removed abruptly by the leadership of Konstantin U. Chernenko.

There is still no reliable information here about the reason for the dismissal. But some analysts believe that Marshal Ogarkov had opposed a decision by the Politburo to relax its position on resuming arms talks with the United States.



Marshal Nikolai V. Ogarkov

The removal of the marshal came shortly before Foreign Minister Andrei A. Gromyko met in the White House with President Ronald Reagan. Subsequently, after Mr. Reagan won re-election, Moscow agreed with Washington to resume the Geneva talks, which had broken down after the United States began to deploy cruise missiles and Pershing-2s in Western Europe.

Marshal Ogarkov was particularly outspoken in denouncing the new U.S. missiles.

Mr. Chernenko modified the position of his predecessor, Yuri V. Andropov, and the result was a resumption of the Geneva talks in January.

The official announcement last September said that Marshal Ogarkov, who had long been considered a potential successor as defense minister, had been relieved "in connection with transfer to other duties." The other duties were not disclosed.

A short time later, a Politburo member, Grigori V. Romanov, said during a visit to Finland that Marshal Ogarkov had been put in charge of a large western military theater.

There was another report that Marshal Ogarkov had been named commandant of a military academy.

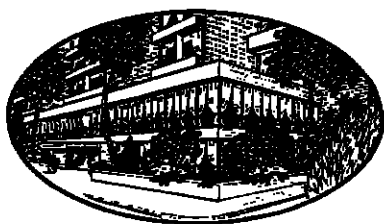
In following months, his name disappeared from the press and was even omitted from the lists of signers of military obituaries.

One of the few mentions of the marshal's name in the press came last December near the bottom of a list of official mourners after the death of Marshal Dmitri F. Ustinov, the defense minister.

In its 1,800-word review of Marshal Ogarkov's latest book, Novosti praised it warmly. According to the reviewer, Colonel Vladimir Morozov, the book reveals "the aggressive character of the United States military policy and doctrine" and its quest for military superiority.

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Russians Offered Wallenberg Swap, U.S. Lawyer Says

United Press International

ATLANTIC CITY, New Jersey — Raoul Wallenberg, the Swedish diplomat who saved thousands of Jews from Nazi death camps, was offered to Sweden by the Soviet Union in a prisoner exchange in 1962, 15 years after he was said to have died, said a lawyer for his brother and sister.

In an interview published in the current issue of The Jewish Record, a weekly newspaper, Morris Wolff, a Philadelphia lawyer, said that the trade fell through because Sweden did not offer enough Soviet prisoners in exchange.

The Swedish Foreign Ministry denied Sunday that there had been any such Soviet offer.

Mr. Wolff said the Soviet Union in U.S. District Court in Washington on behalf of Mr. Wallenberg's brother and sister, demanding an accounting of Mr. Wallenberg's whereabouts.

Mr. Wallenberg vanished when taken into Soviet "protective custody" in Hungary in 1945. A Soviet announcement in 1957 said that he had died in prison 10 years earlier, a claim that has been rejected by some Western investigators.

Queen Joins Effort in U.K. To Evict Syrian

Reuters

LONDON — Queen Elizabeth has joined an effort to evict a Syrian diplomat alleged to be illegally occupying a British family's apartment, Foreign Office officials said Monday.

They said Ahmed Walid Rajab, invoking diplomatic immunity, has ignored a court order to leave the three-bedroom apartment, which he rented from John Chaffey for six months in 1982. Mr. Chaffey, married with two young children, said his family had been homeless for nearly three years and had spent thousands of pounds trying to repossess the apartment.

Mr. Chaffey finally wrote to the queen. Officials said she asked the Foreign Office to act to remove Mr. Rajab, an adviser on Arab League affairs at the Syrian Embassy.

Officials said the Syrian ambassador had been called to the Foreign Office and urged to resolve the issue.

U.K. Missile Protesters Held

Reuters

ALCONBURY, England — The police said Monday they arrested 12 anti-nuclear protesters who broke into an air base near Cambridge used by U.S. forces and painted slogans on British bombers.

Alconbury will be a support base for 64 U.S. cruise missiles to be deployed at nearby Molesworth in 1988.

Long-Range Problems Face Computer Industry

(Continued from Page 1)

home to roost a few years later," said Simon Ramo, a founder and director of TRW Corp., a diversified manufacturer with interests in computer services.

On top of the oversupply has come a slowdown in the growth of demand for computers and other electronic equipment. For instance, sales of personal computers, which about doubled year after year for several years, are expected to increase no more than 30 percent this year and may not increase at all. Semiconductor sales are expected to drop at least 20 percent as inventory excesses are worked off.

Some causes of the slowdown in demand are short-term. Customers may be waiting for new products that are planned but not yet available. Sales of mainframe computers are down because customers are awaiting delivery of new IBM models later this year. And personal computer buyers may be waiting for new, more powerful machines such as IBM's PC-AT and rumored PC-2.

Yet there are other, more fundamental shifts as well. For one, perhaps customers simply cannot absorb any more computers.

"The user population was like a starving man sitting down at a banquet," said Aaron Goldberg, an analyst with International Data Corp., a market research concern. "They've feasted for two years and now can't eat any more."

There is a growing realization among computer companies that they have not necessarily been satisfying the customers. Many people use their computers for only one task rather than the multiple tasks that computer makers had envisioned. As a result, sales of software have been far below expectations.

The demand for computers is expected to grow for a long time. But the easy sales are behind the computers to people less eager for them.

Another thing that may take years is the industry's recovery from a shakeout caused by too much investment in the early 1980s. The amount of money invested in young enterprises, including many computer companies, through venture capital or in stock offerings, rose to \$19 billion in 1983 from \$600 million in 1977, according to Blake Downing, an

analyst with Robertson, Colman & Stephens.

Most of that money, it is now conceded, went into companies that did not advance technology but merely offered variations of other companies' products. "It was a very huge waste of money," Mr. Downing said.

According to Hambrecht & Quist, an investment banking firm specializing in technology, the number of American companies making microcomputers rose to 47 at the beginning of 1985 from eight in 1981.

Microcomputer software companies increased to 280 from 34, producers of hard-disk drives, or high-capacity data storage devices, to 54 from 11 and local area network companies, which make the systems that link computers at high speeds, to 61 from time.

Even more troublesome, however, is foreign competition. This is particularly true in semiconductor, where the Japanese and now the South Koreans are making a determined effort. The Japanese have virtually captured the world market for dynamic RAM, or random access memory, chips, and U.S. manufacturers, frustrated at being unable to sell in the Japanese market, are at a boiling point.

The U.S. semiconductor industry, which used to have only an occasional slump, has performed poorly in three of the past four and a half years.

Chip prices have plunged. The chips inside an IBM PC-XT computer, which would have cost \$319 last August, according to Dataquest, today would cost \$110. The chips inside Apple's Macintosh model, with 512,000 characters of memory, would have sold for \$500 last August; now they would fetch a mere \$95.

The excess of domestic and foreign competition also points to another change that will make it more difficult for computer companies to prosper in the future.

The computer industry's prospects do not seem likely to improve until the end of this year at the earliest.

A slump will persist into 1986 for several segments of the business, according to some experts. And if the overall U.S. economy gets worse, the industry's problems could last even longer.



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ARTS / LEISURE

British Rock's New Countertenor: 'Is That My Voice?'

By Michael Zwerin
International Herald Tribune

MONTREUX, Switzerland — As a rock group of three working-class young men who made their homosexuality a public affair and the subject of their songs, Bronski Beat has sold 2.5 million units, including an LP and three hit singles on the British charts in a little over a year.

Bronski Beat consists, or rather consisted, of Steve Bronski and Larry Steinbach on synthesizers, and Jimmy Somerville singing. Their performance here in May for the "Rose d'Or" festival was Bronski's last beat.

The fact that they have already broken up as a group is an example of how fast fame and fortune can arrive in British rock, and how traumatic that experience can be for young people whose previous working experience consisted of collecting unemployment benefits.

But countertenors are very much the style nowadays — Michael Jackson and Prince, for example — and Bronski's self-taught vocalists Somerville has a potential to equal the grace and artistry of the famous baroque countertenor Alfred Deller, should he decide to work at

developing his talent. Unfortunately, this is rather unlikely — the pop music industry rewards image before, and usually instead of, artistry. A dictum in the milieu goes, "Too good is no good." And Somerville has a perfect hermaphrodite image for this year's trend. He has already signed a recording contract under his own name.

With the first flush of success, Bronski and Steinbach had purchased expensive living quarters in London, while Somerville, who still lives in two small rooms in a project in Kennington, reacted to stardom with "shame and disgust." "It came too fast. When we signed a recording contract we were still living in a Camberwell squat. All of a sudden everything changed, it was all about money. It stopped being fun."

All three insist there is no animosity, that the split was due to the pressure of "getting caught unprepared in the machinery of success," as Somerville explains it.

Although Somerville objects to the treatment he has received from the Fleet Street press, he asked for it, which he tacitly admits: "Our songs are very honest, very blatant. We don't pretend to ourselves or to

anyone else. Perhaps we did not think enough about the price of honesty. Maybe it backfired."

The list of minimum legal ages for homosexual encounters in countries around the world on the jacket of their album, "Age of Consent," was deleted from the U.S. release.

"But it backfired in the sense that we lost control of it," Somerville speaks with a Scottish brogue so thick it requires frequent translation: "It was distorted into something we didn't want it to become. The press and promotion people made us out to be a gay band instead of gay members of a band. Not one article talked about my voice."

He has a natural, unforced voice, and an instinctive sense of phrasing and intonation. His friend Richard Coles, a schooled saxophonist from the Midlands with whom he is forming his new group, pointed proudly to Somerville and said: "He's got a range of almost four octaves — up to high C. The Institute of Contemporary Arts offered him the role of the Queen of the Night in a production of 'The Magic Flute.'"

Somerville shook his head with the madness of it all: "Maybe in 10 years, I'm not even a princess yet. You know I never listened to anything but disco. I hear my tapes and say, 'Is that my voice?' It's slightly embarrassing."

Leaving his parents' home in Glasgow at the age of 18 (he is 23 now), Somerville came to London, and: "The first thing I did was go to a gay bar in Ears Court. I'd never seen anything like all the sex shops and sleaze. It was very exciting. But I was scared and lonely as well."

There is nothing blatant about Somerville's appearance. He sang here in the same cardigan sweater he wore on the street, his hair is cut working-class short, he does not wear makeup. This lack of panache has given birth to a new style in London, a sort of lack of style. London gays are beginning to cut their hair like his, to wear jeans and sweaters and avoid the outrageous image of yesterday's heroes like Boy George. Even Boy George has cut his hair.

Teen-age girls scream when Somerville sings, and Bronski's audience had a large smattering of straight young males. On stage between vocals Somerville moves and



Singer Somerville: "The price of honesty."

smiles with ease and grace, and it is obvious that whatever that elusive charismatic "it" consists of, he has it.

He and Coles are off to New York this summer to record their new project, including originals and some standards associated with Billie Holiday. It seems fairly

obvious that his is a talent that has the potential to grow beyond the limited appeal to one group or inclination he himself has temporarily imposed on it. But in the meantime, he still thinks of himself as reflection of his media image: "It's exciting to be England's best-known gay."

A Last Hurrah for Fools
At Copenhagen FestivalBy Gunilla Faringer
The Associated Press

COPENHAGEN — The Danish capital was invaded by musicians, dancers, clowns, street actors and acrobats Sunday for the opening of the fifth "Festival of Fools."

Eight hundred musicians and singers, ranging from big bands to rock groups, turned the city into one big concert hall in a spectacular event called "City Waves," staged with bicycles, boats and balloons by the American composer Charlie Morrow.

Morrow described the performance as "a reflection of the universal consciousness, with no one

able to see it all, but everyone a part of it."

The organizers of the monthlong festival invited 33 experimental theater and dance troupes from 14 countries. They will concentrate on innovative drama and multimedia shows. There will be "fools" all over town, and spectators will watch some dockside performances from sightseeing boats.

A British group calling itself IOU, made up of artists, sculptors, architects and musicians but not a single actor, brought a wordless show of dance, puppets, mask, machines and even railroad cars into the dock area. According to the group's Louise Oliver, the aim was to demonstrate what happens "when something well-known collides with something unknown."

An Australian known only as Stelaro stages an "event" in which he dangles naked, from hooks piercing his body, in settings that change from performance to performance.

Four exhibitions with the joint name "People and Space" combine architecture, video, graphic art, photography and live performances in line with the festival's declared goal of crossing the borders between forms of artistic expression.

A large part of the festival is devoted to modern dance and ballet. Among the youthful, experimental groups is Bill T. Jones-Arnie Zane & Co., an American troupe, which bases its choreography on black music and dance. Min Tanaka & Mai-Juku from Japan offer their interpretation of Shakespeare's Macbeth, including nude scenes.

The festival, held after a two-year lapse, is dependent on funding from the city of Copenhagen and private sponsors. It attracted thousands for the opening event, but its organizers, Trevor Davies, said it was the last festival of this type.

"This is the best, but also the last, Festival of Fools," he said. "We cannot do it better, and therefore have to find new, astonishing and provocative ways to avoid getting stuck in past successes."

Shopping Center
In Houston Aims
At Hispanic Buyer

New York Times Service

HOUSTON — El Mercado del Sol, a 17-acre (seven-hectare) shopping center billed as "the nation's largest Hispanic theme festival center," has opened here.

The center advertises itself as "a short trip to Mexico," but it is not primarily a tourist attraction.

Instead, it aims at the fast-growing Spanish-speaking population, which has become a significant part of the economic, social and political life of Houston, the country's fourth largest city.

In Houston and surrounding Harris County, the number of residents of Hispanic heritage is officially estimated at just over half a million. But other estimates put it at from 800,000 to 1.2 million. The total population of Houston's metropolitan area is more than 3 million.

The Hispanic population consists of not only Mexican-Americans but also immigrants from the Caribbean region and illegal aliens. They have shared in the recent prosperity common to the Sun Belt states.

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Marie Galbraith: Snow in July, jeans at Rungis.

Envoy's Wife in Paris:
A Mutual Love Affair

International Herald Tribune

PARIS — Before Marie Galbraith came to Paris in 1981 as the wife of the U.S. ambassador to France, she had been — not necessarily in this order — a social secretary, a fashion magazine editor, an ad director, a photographer, a real estate saleswoman, a free-lance fashion stylist and Peter Usinov's Girl Friday.

All this, she feels, accounts for her ability to cope with being an ambassador's wife, a job that has involved not only entertaining an average of 20,000 people a year but

"Americans have this wonderful generosity and simplicity. They are genuinely welcoming. It's a wonderful marriage," she added, "because French and Americans also have a lot in common. They're both practical and outspoken."

The French loved her back. Hundreds of letters, both personal and professional, poured in after the announcement of the Galbraiths' departure. The couple gave three grand dinner parties at which they effortlessly mixed members of the government and the opposition. At one of them, Prime Minister Laurent Fabius and the ambassador exchanged warm and friendly words that seemed to go far beyond the usual niceties said at such occasions. The Galbraiths, who were entertained by countless French friends, also had a small, private dinner for former President Valéry Giscard d'Estaing. Then Mrs. Galbraith's favorite designer, Guy Laroche, gave a small dinner party in his kitchen-bistro "with just us and the Chiracs, the Gregoris, the Pecks, Line Renaud and it was just wonderful."

Mrs. Galbraith also had a personal rapport with small artisans, with whom she dealt one-to-one. Through redecorating the embassy, she got to know the carpenters, upholsterers and electricians. French friends took notice of the way she did things. "I loved it when they came here and said something about the flowers or the decor. They took a personal interest in this house. They'd say things like: 'You're our ambassador.' I also noticed that after they came here, next time, they'd have le pique-nique and not butlers with white gloves."

"Things have changed considerably since 1953," she said, recalling a period when the effects of World War II were still acutely felt in France. "Then, everybody was still on bicycles and you couldn't get a hot bath. When I gave a cocktail party, I had to get permission from the commissaire de police. Girls from good families had to go to the movies properly escorted by a chaperone, and young girls did not have jobs in France."

Today, Mrs. Galbraith believes in doing a lot of things herself. Touring the embassy's residence, she said: "The first thing I did when I arrived here was to put on my jeans and go to the Rungis flower market."

Paper Airplane Champion
United Press International
SEATTLE — John Vincent, 33, won the World Indoor Paper Airplane Championship when his entry landed closest to the center of the Kingdome stadium. Vincent, a Qantas Airways employee from Sydney, Australia, won a trip for four to Disney World Seattle.

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By Flora Lewis

Boom to End All Booms

The administration also appears enamored of the supposed symbolic value of a big defense budget to impress the Russians with U.S. re-



and, on piece, 2 feet of chain.

LETTERS

on the basis of an individual's qualities as a scientist or a scholar, rather than on the basis of his nationality.

THERESE A. COLLINS,
Brussels.

Brussels.
Has no one considered that the fans' aggressive behavior might be

required to undergo training to become teachers, or be selected for the laboratory rather than the classroom? Ultimately, universities must hire on the basis of an individual's fit

THERESE A. COLLINS,
Brussels.

ELECTRONIC BANKING

A SPECIAL REPORT

TUESDAY, JUNE 11, 1985

Page 9

New Banks: Self-Service All the Way

By Kathleen Hawk

GAINESVILLE, Florida — The lobby has little in common with a traditional bank branch. A few tellers share a counter with automated teller machines. Along the walls, enclosures shield customers as they open accounts, calculate loan schedules, pay bills, trade securities or conduct other business by touching the glass faces of electronic terminals. Desks at the center of the room offer services such as insurance, real estate and travel arrangements.

Jointly developed by Bank One Corp. of Columbus, Ohio, and Diebold, a supplier of bank systems, this automated branch will open in October in an affluent suburb of Columbus. Calling it a "new horizon," John Russell, the bank's marketing vice president, said the systems were designed by "people who understand the consumer and how they're going to react to interactive devices."

These new units and Mr. Russell's comment illustrate a trend that links marketing goals with technology. Identified as the "third phase" of technology development by Touche Ross International in a recent 26-nation study, "The Impact of Technology on Banking," this movement involves "migration of service delivery into customers' hands" and "personal and global transaction and telecommunications networks."

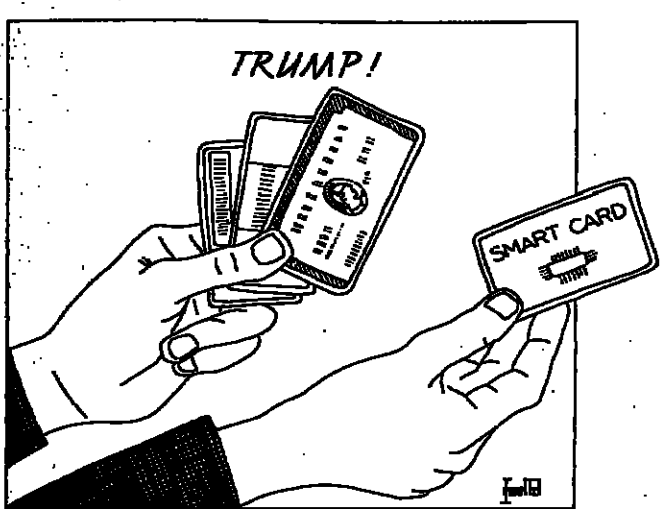
Touche Ross International found that "a few countries, particularly the U.S. and several larger European countries," are leading this phase. The first two phases involved automation of back-office data processing and then automated payment systems and branch functions.

The technology offers challenges to the industry. On the "front end" that consumers see and use, there is high market sensitivity in design of both financial products and delivery systems, and, in the "backroom," increased reliability and access to a broadening spectrum of data bases by the infrastructure of computers, software and communications systems.

"There is a generation growing up that will view the banking terminal as their bank," observed John Morgridge, marketing vice president for Stratus Computer. "There will be a growing list of services and the terminal must always be available."

Ergonomics, the science of making machines comfortable for people, is helping produce a

(Continued on Next Page)



Intel Card-Mount/707

The Smart Card Earns Its Credentials in a French City

By Mark Hunter

BLOIS, France — In September 1982, this picturesque city of 58,000 on the banks of the Loire began an experiment to test the viability of the "smart card," a credit card containing a computer chip.

The card's backers, the postal authority and the GIE Carte à Mémoire, a consortium of French banks now regrouped as the GIE Carte Bancaire, hoped to discover if the cards

"would work in the hands of the public," said André Michand, who directed the experiment for the GIE Carte à Mémoire. At the same time, the card used at Blois, manufactured by Bull Group, would be compared with different cards made by Phillips and Flonic-Schlumberger, under test at Caen, in Normandy, and Lyon. Blois won the first step of the race. The card used there, the Bull model CP8, was selected as the national standard by the GIE Carte Bancaire in July 1984.

"The experiment at Blois was absolutely a success," said Jean-Louis Marchand, a member of the post office's smart-card team. "It showed that the techniques and equipment for a national system, and our ability to provide them, are in place. And we settled on the mixed card. The mixed card combines the magnetic stripe of a common credit card with a computer chip on the card's opposite face. It can be used with current electronic money

(Continued on Next Page)



Automated payment in a Blois shop.



The IPSO smart card is used in a Blois pay telephone booth.

Why One Money Card Must Outstrip the Rest

By Nancy L. Ross

WASHINGTON — The "smart card" — plastic money embedded with a microprocessor — is scheduled to make its American debut this summer in pilot programs initiated by MasterCard International. The test will help to determine ultimately not only whether the card with the silicon chip can be a winner in the United States, but also which country's technology will set the rules for the rest of the players in the global arena of electronic funds transfer.

In Columbia, Maryland, outside Washington, 50,000 program participants will receive plastic cards made by the French computer group Bull and marketed by its Dallas subsidiary, Micro Card Technologies Inc. In Palm Beach, Florida, a similar number of subjects will receive cards provided by Casio Microcard Corp. of Japan. Customers will be able to use the cards to pay for goods and services at selected retail locations.

Both types of cards have encoded chips that have a customer's password or secret number built in. In this way they permit cheap, quick verification of the holder's identity on the spot without the information having to be transmitted electronically to a centralized computer. Since the card has its own intelligence, it has been dubbed the *carte à mémoire* in French and the "smart card" in English. The chips also have the capability of storing other means of identification such as the user's signature or fingerprint, as well as up to 200 transactions. However, the Japanese card contains two chips; the French version, one. Moreover, they are placed in different locations on the card.

Experts agree that standardization is essential if the as yet expensive and experimental technology is to succeed as a truly international payment mechanism. "We can't have a European card that will be used in Europe, a Japanese one for Japan and an American card for the United States," Russell Hogg, president of MasterCard, said in Paris a few months ago.

The Japanese appear to have an edge at this point over the French, who invented the smart card. Last month, a New York working group of the International Standards Organization voted, 4 to 2, in favor of the Japanese version while permitting the French version on an interim basis. Some years ago, the same group voted against the Japanese practice of putting the magnetic stripe on the front of their credit cards because it interfered with the printed information such as the bank's logo.

Another hurdle is reconciliation of the clearing-house function. Differing national laws gov-

erning such things as receipts, disclosure and currency exchange pose substantial challenges for software developers.

The development of electronic funds transfer has occurred primarily within national borders. Not only does technology differ, but also delivery systems, marketing, existing alternatives, culture and commitment by government or private industry. The result is a checkerboard, with some European countries highly advanced and their neighbors showing minimal interest. Or, a country will have made outstanding progress in one aspect of electronic transfers, but ignored others.

For example, France is the European leader in all facets of electronic transfers, whereas West Germany has shown little interest to date. Japan has wall-to-wall automated teller machines yet no debit cards. There is a lack of activity in Latin America.

How soon will there be a truly international electronic payment system?

Colin Reeve is vice president for interactive services and international systems for American Express Travel Related Services, a company whose green card has become the symbol of universally accepted credit. As such, he is more sanguine than most about internationalization, predicting that within three years consumers will have the ability to draw cash from machines in all developed countries.

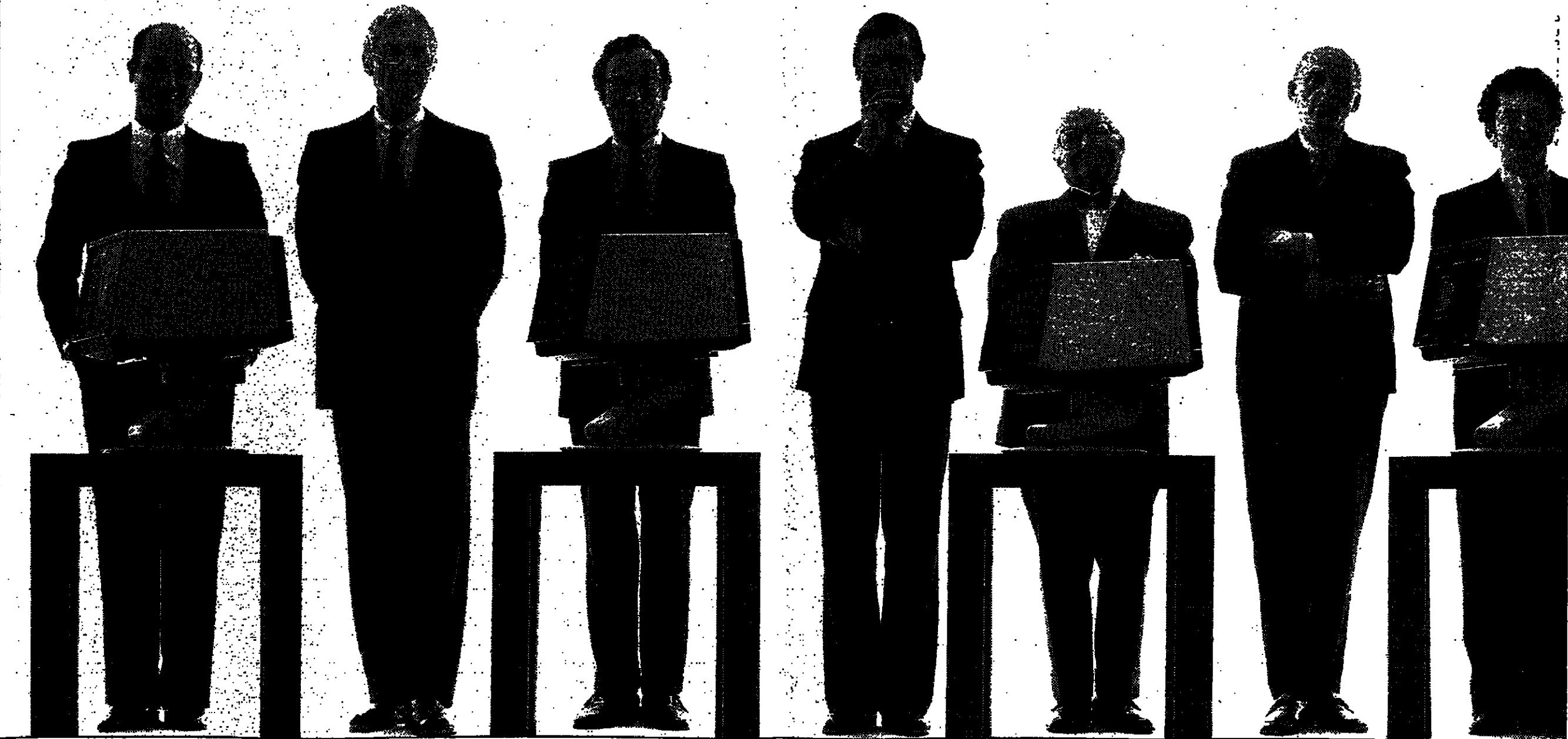
Last spring, Mr. Reeve conducted a survey of electronic fund transfer systems in 16 countries for American Express. He counted automated teller machines, point-of-sale terminals and debit cards worldwide. And just last month, statistics from the central banks of 11 developed countries were published by the Bank Administration Institute, with headquarters outside Chicago. Another survey has been regularly conducted by Spencer Nilson, publisher of a credit card newsletter in Los Angeles.

The figures differ, sometimes substantially, according to the definition of machines and functions used by the survey organizers. For example, American Express lists 60,000 point-of-sale terminals in the United States, while the central banks, which define point-of-sale as the electronic direct debiting of the customer's account, list 800. So what follows are general conclusions drawn from these sources.

On a per-capita basis, Japan has the largest number of automated teller machines, followed by the United States, Britain and France. Hong Kong has the most per acre. The teller machines dispense cash and, in some countries, also trans-

(Continued on Next Page)

Why so many bankers bank on Nixdorf



When it comes to choosing which computer company to work with, banks can take their pick. After all, practically every computer company in the world makes a computer that banks can use. So why do so many banks rely on Nixdorf? The answer goes far beyond hardware or system features.

True, Nixdorf computers have a well-deserved reputation for standing up to really tough usage, and that's important when downtime is measured in millions of pounds, marks, francs and dollars.

But hardware alone never sold a banker anything. Bankers require computers that can operate as part of complete telecommunications systems. They require speed, and excruciating accuracy. They require ingenious programming to handle incredibly complex transactions with hundreds of real-time variables. They require international capability, uncompromisable security, and absolute dependability under all kinds of conditions. The sheer volume of transactions, and the interdependence of those transactions requires a processing

capability far beyond what is needed in most other industries.

And the banking business is changing so rapidly that it's not enough to have a computer system. Today's needs require that there be a company standing behind that computer. A company with the size, the resources, the people, the technology, and the will to meet the specialized needs of the most demanding customer. Nixdorf. And every bank knows it.

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A SPECIAL REPORT ON ELECTRONIC BANKING

The New Banks: Self-Service Is All the Way

(Continued From Previous Page)

"friendlier" generation of hardware. An Omron automated teller machine, introduced last year in the United States and currently being re-engineered for European markets, lights up at a customer's approach, can help a customer through his transaction with voice prompts and animated graphics, and can print an interim statement.

The market shows increasing variety as first-generation automated teller machines, some a decade old, are replaced. There are bigger buttons, simple "1-2-3" instructions, drive-up units and "designer" models, like ATM Technology's slim unit, International Business Machines introduced a check-cashing machine that gives exact change, a coin-dispensing device for busy lobbies. And other vendors, like Burroughs, have driven the cost of cash dispensers below \$15,000, while increasing transaction speed and ease of servicing.

But even innovative automated teller machines are old news compared with other self-service terminals. Software Alliance is negotiating a multinational contract for its touch-sensitive lobby terminal, programmable to open accounts, order checks, model loans and mortgages, and pre-qualify the customer. Since the system cannot actually sign the papers, it includes monitors for sales staff.

Not all vendors are banking on the advantage. Terminals that look reassuringly like automated teller machines now rap out interim statements with high-speed printers. Some lobby units do nothing but provide a training tool to introduce customers to electronic banking.

As technology minimizes routine work, branch employees are committed to the sale of bank services. Here again, automation is changing the way banks deal with customers. Work stations and personal computers in branches provide not only an efficient means of documentation and bank servicing but a powerful selling tool.

Bankers' complaints about lack of software indicate that marketing programs for staff work stations may be one of the growth areas of the next few years. Financial planning programs are particularly interesting today, because planning can be sold as a separate service, yet it provides a base for selling other products.

Bank of America is testing planning programs in selected branches. Keyed to goals like retirement security or children's college education, the programs indicate the levels and types of investment needed, said Bruce Mapes, a Bank of America vice president.

The trend toward terminal-based service puts heavy demands on "backroom" support systems. Behind all the terminals in banks, on street corners and those linked to home banking and cash management services are huge information requirements. Retail-account balances, corporate position reports, interest rates on credit and investment products, marketing programs that "model" payback schedules and returns, investment market information — the list

Architect's drawing of the automated bank branch that will open in October in a suburb of Columbus, Ohio.



grows with the ability of marketers to integrate information with service to produce fees.

"Banks used to give information away," said Donald G. Long, IBM senior banking consultant. "In the future, information will become banking's most important product."

The personal and global networks mentioned in the Touche Ross International report depend on the assumption that information files, even within a single bank, can be cross-linked. However, assimilating the names and numbers of various types of account relationships into a core file can mean years of work and millions of dollars, depending on the size of the institution.

Off-the-shelf "integrated software" products have become more numerous and more inclusive. Companies like Hogan, Logica, ACI and Anacom have been working to complete these systems. The sheer bulk of the task recently caused Anacom to set aside its project. Kevin Scully, vice president of Logica's American sub-

Marketing programs for staff work stations may be one of the growth areas of the next few years.

siary, described the development of a centralized data bank for a Swiss bank as "the work of years, an astronomical commitment."

Many major banks, whose various accounting programs were often devised independently of each other 10 years ago or more, have not yet committed themselves to system integration. "The main problem is that we have huge systems built for efficiency, five million transactions a night. If you want to cross-cut, you have to invert the system," said Bart Bakker, innovation manager at Rabobank Nederland. "No one wants to throw away what they have, or build anew. So you have to build an auxiliary system."

"Auxiliary systems" built on microcomputers satisfy many problems of information access. The ideal system "built for efficiency" are usually batch-processed, running masses of accumulated data through the mainframe at a designated time for each application. In contrast, consumer-oriented systems demand instantaneous information and completion. For these purposes, mini-computers can collect the latest account information from the mainframe and store "memos" about consumer transactions until the mainframe processes them.

Fault-tolerant computers are taking a growing market share for these on-line transaction

systems. Pioneered by Tandem Computers more than 10 years ago, they are engineered with paired components to keep one side running if the other fails. Tandem gained in the banking industry for reliability in automated teller machines and other fund-transfer networks and, more recently, it has been sold as a mainframe to support integrated software in banks in several countries.

This year, fault tolerance was adopted by two giants in bank automation systems. After years of arguing that fault tolerance was no better than its own solution of backed-up standard processors, IBM signed a remarketing agreement with Stratus Computers, a four-year-old firm with a fault-tolerant design that was claimed to maintain processing capacity better than Tandem's. In addition, Nixdorf Computer, the leading European vendor of bank systems, introduced a product based on fault-tolerant hardware from Aurigen System Corp.

The final element in the information and transaction networks is the communications systems to move the data. NCR is developing a showpiece system for Tellesdata, the giant Norwegian service bureau. An extensive hub-and-spoke configuration links the host to the branches, each branch to the point-of-sale terminals of its customers. Security systems are built into the network, which will support electronic mail, archive and retrieval functions and a totally integrated system of intelligent terminals.

In England, Midland Bank is linking 1,700 branches with Midnet, primarily based on Nixdorf equipment. In addition to "opening a lot of new horizons in connecting points within the bank," according to Edward Newman, assistant manager of Midnet, the network links Midland subsidiary Thomas Cook travel agencies to other travel-oriented data bases. As a result, the system can be sold to other travel firms as a value-added network.

But the prime example of the "global network" that places the delivery service "in the customers' hands" may be the worldwide MicroStar network built by Bank of America for multinational cash management business. Linking compatible mainframes around the world, MicroStar provides multibank position reports, credit and investment information, and transaction power to terminals on the desks of corporate cash managers on five continents.

In summing up the "third phase," Colin Kilpen, vice president of Treasury Management Services, said, "We're moving functionally out of the backroom into the customer's office. They have control of the data. We also move costs to the customer, so it's beneficial for both of us."

Home Banking: Question Is When, Not If

By Amiel Kornel

NOTTINGHAM, England — In September 1983, a small regional bank in Nottingham attracted international attention by launching the first electronic home-banking service in Britain. But almost two years later, British home banking is barely off the ground.

While expressing optimism about the long-term prospects of such systems, bankers and analysts interviewed recently anticipate a slow growth for what was once considered one of the most promising facilities of the so-called electronic cottage.

Home banking in Britain is "very embryonic," said Karol Szlachetinski, senior consultant at Butler Cox & Partners Ltd., an international management consultancy in London. "We're not talking about very many users."

Three banks are currently involved with home banking in Britain. The Nottingham Building Society and the Bank of Scotland each offer an electronic home service to their customers. And Midland Bank, one of England's largest, is running a pilot trial.

The banks are reluctant to talk about the results of their experience. This reticence has generally led to pessimistic speculation about the systems' success. The tales that they and others tell suggest that the time is not yet right for home banking.

"For a very long time it will only appeal to specific market segments," said Mr. Szlachetinski. "In the U.K., a high proportion of people don't even have bank accounts." "In my mind," said David Bayliss, manager of electronic banking at Midland Bank, "there is no question that home banking is a service that will be required in the future." But he added: "The problem is that we're not quite sure that there is a market now, nor how big it is."

Developments in computing and telecommunications technologies since the 1970s enabled the wiring of homes and businesses for the reception of electronic information.

The growing enthusiasm for personal computers and the electronic delivery of information encouraged the development of systems for piping electronic financial services direct into the home via the telephone. Bank executives hoped to decrease personnel and building costs by persuading customers to conduct their financial business from home.

In Europe, efforts by national telecommunications authorities to promote use of their networks spurred the development of videotex systems that link computers and terminals over the telephone line. The terminal is often no more than a television set hooked up to a decoder and keyboard.

Growth of the Prestel videotex system in Britain, Teletel in France, and Bildschirmtext in West Germany has been accompanied by the development of electronic home banking. The first such service in Europe was offered by the Hamburg-based Verbraucher Bank. Credit Commercial de France and Credit Lyonnais have piggybacked their services on the growing Teletel network.

In the United States, the development of home banking has been tied to personal-computer use. Chemical Bank and Chase Manhattan offer home banking to several thousand customers.

Yet, many analysts and bankers are not optimistic about the prospects for rapid growth of home banking. "The proportion of households using such systems in the short term will be very small," said Mr. Szlachetinski. "I think that things will take a long time to catch on."

Consumer demand will be slow to develop, predicted Mr. Bayliss. "The question is not if it will become a service of the future, but how quickly," he said. "It will not be profitable in terms of the number of customers before 1990." "Home banking is not as immediate as some people are suggesting," said Alwyn James, spokesman for the Royal Bank of Scotland in Edinburgh. "There will be some time before the public accepts it as an alternative to branch banking."

The current systems offer such services as account statements, balance inquiries, transfer of funds between accounts, payment of standing bills and messaging between the customer and the bank.

They also include assorted "frills" to make the package more attractive. Games, auctions and classified advertising are available on the Nottingham service. A stock-brokerage facility will be launched at the end of June.

Many banks do not sense an urgency for offering such electronic services directly to the home. "We see no benefit from being at the front of this particular movement," said Mr. James.

"In terms of home banking in Europe," warned Michael Gallagher, manager of electronic banking at Chase Manhattan in London, "it might still be a little early to be aggressive." Britain's building societies are regional banks that offer financial services similar to those available from savings and loan institutions in the United States. They have few branch offices and often have been slow to introduce modern technology.

After deferring computerization for several years, the Nottingham Building Society leapfrogged its competitors in September 1983 by offering a home-banking service called HomeLink.

It is difficult to gauge the system's success. A sign in the bank's lobby urges customers to subscribe to HomeLink rather than wait for service at the counter. But judging from the size of the crowds lined up on a recent afternoon, the message is not getting across.

The bank's executives refuse to divulge figures on system use. Although they say there are "several thousand" HomeLink customers, they minimize the importance of having a large number of subscribers. "Being the size that we are," said Stuart Brandreth, deputy manager, "we don't have to be as successful in the numbers game as, say, Barclays."

Experts disagree. "With most electronic services," said Mr. Szlachetinski, "volume is very important... There are high fixed costs to provide these services."

Nottingham spent about \$4 million (\$5.2 million) to develop HomeLink, according to Mr. Brandreth. Company records suggest that more than \$1 million was spent between 1982 and 1984 on computer equipment for the system. British Telecom, the privatized national telecommunications authority, and the Bank of Scotland also participated in development of the project.

In return for the investment, officials hope that the system will extend the bank's reach to other parts of Britain. "Our prize is that it's turning a regional organization into a national organization," said Mr. Brandreth. "It's a cheaper way to get more customers than by opening a branch bank."



A French couple checks banking transactions at home.

Why One Money Card Must Outstrip the Rest

(Continued From Previous Page)

fer funds and answer balance inquiries. Although the United States has more point-of-sale terminals, France leads based on population. A terminal, located in a store or gas station, is connected electronically to a network. It captures and sometimes transmits payment data electronically. Its chief functions are credit authorization and identification verification.

However, if point-of-sale is defined as direct debit, France is the uncontested leader. This system means speedy payment for the merchant, who gets immediate access to a buyer's bank account or credit line.

In an interview, Mr. Reeve supplied his theories behind the numbers in his company's survey. The old and new in Japan account for that country's love of teller machines: expertise in high technology and traditional culture. Japanese like to have enough money for any situation as they do not like to lose face, Mr. Reeve said. So they will take money out of a teller machine in the morning and put it back at night if unused.

The teller machines, which developed slowly at first in the United States, caught on when banks found they were an arduous dodge around restrictions against interstate banking. Soon they became almost a necessity in the highly competitive environment of American banking.

Unlike the United States, with its 14,000 banks, Britain and France have but a relative handful of banks so the teller machines were seen as a logical way of expanding offices without the cost of bricks and mortar, and lengthening hours without the expense of overtime.

Among those listed by American Express as "undeveloped" with regard to teller machines are such countries as Malaysia, the Netherlands, West Germany, Italy and Mexico. Mr. Reeve suggested that the small size of the Netherlands puts the Dutch within easy reach of banks. West Germany, on the other hand, pioneered the Eurocheque — paper guaranteed for small amounts that is cashable anywhere — so has scant need for cash machines. As for Italy, he cites as deterrents the fear of muggings and frequent changes of government that preclude a

firm national policy of funds-transfer development, such as France enjoys.

Other factors are the effect of cold weather on machines in northern climes and a high incidence of vandalism, especially the use of super glue to seal drawers.

According to American Express, whereas the compound annual growth rate of teller-machine installations over a three-year period to 1986 will be 27 percent, point-of-sale terminals will grow by 62 percent.

In French homes there are 350,000 Minitel, or small video screens linked to information sources, that enable viewers to get telephone numbers or their bank balances.

American merchants, with the exception of service stations, remain unconvinced of the utility of debit cards, given the start-up costs involved for hardware. There are about 1,100 direct debit terminals in the United States, according to Bank Network News. Home banking and videotex are in embryonic stages, with approximately 38,000 users. Recently, a joint venture was announced that will offer subscribers computerized banking, discount stock brokerage and merchandise shopping. At this juncture it is impossible to tell if or when these services will become popular and profitable.

Spain, Mr. Reeve noted, got into the game fairly late, but he expects the number of point-of-sale terminals to accelerate, pushed by the government postal service. Again, because of the postal service, he also expects a lot of progress in Sweden in the next two years. However, he added that Sweden was a difficult country in which to do business because merchants there resist accepting credit cards, objecting to discounted payments.

Around the world, the Asian financial capital of Hong Kong shows a high density of teller machines and point-of-sale terminals, but no debit cards. Mr. Reeve offers a cultural explanation for this. Chinese love to haggle over prices, and cash payments lead to higher discounts than plastic cards, which create a record.

How Smart Card Earned Credentials in a French City

(Continued From Previous Page)

distributors and point-of-sale terminals, as well as with the new equipment designed to accept smart cards.

At Blois, this equipment included 10 public telephones and 1,000 Minitel home video terminals with card "readers," which, as of June, provide full home banking services to users. In September, local hospitals will issue smart cards containing medical histories of expectant mothers and newborns in the chips' memories.

But the Blois test showed that human factors, especially among merchants and consumers, will play as large a role as technology in the smart cards' future. At the start of the experiment, 160 local merchants installed readers of smart cards provided by local banks in their stores. Five thousand selected bank clients were issued "IPSO" cards, which carried a chip but no magnetic stripe. These cards were supplanted by mixed cards given to all Carte Bleue and Visa holders beginning in May 1984, and the number in circulation rose to 15,000 at the end of that year.

Dominique François, a postal official who coordinated the experiment in Blois, said a post office study had shown in advance that the IPSO cards would be underutilized, because consumers "had fear of the technology, and of a card that would replace checks." About 10 percent of IPSO cardholders used their cards one or more times per month, Mr. Michaud said.

Consumers believed that purchases made with the IPSO card would be debited immediately from their accounts, despite a note on a promotional flyer sent to them by the banks that the "float" on purchases would be "comparable to those of checks."

The banks inadvertently added to this confusion. "When we put out the IPSO card, we used the term 'electronic checking,'" said Guy Rousselet, client relations manager for the Société Générale de Blois. "And people said, 'We don't want to complicate our lives.'"

The misconception stuck to the mixed card. "With the smart card, the money is taken out of your account immediately," said Pascal Di Lauro, a Carte Bleue holder interviewed in a Blois shopping mall. In fact, however, the new mixed Carte Bleue cards are billed exactly like the old ones.

Unlike a magnetic card, the IPSO card could not be used for over-the-counter purchases without a personal four-digit validating code. If an incorrect number is used three times in succession, the card is automatically blocked. The Carte Bleue mixed card's smart side has the same feature. This trait of the card also inhibited consumers.

"People are prudent in their use of the

card, because they forget their code," said Jean-Marie Ferné, a participating merchant. "Often, we propose that they use the card, and they say no."

For other users of the smart card, however, this built-in security is an attraction. Dany Priour, strolling in the mall with his wife and baby, commented that his smart card "is much safer than checks." He said, "If you lose your checkbook, you're in trouble. Merchants are more likely to take the card than a check."

"All of us, banks and merchants, are agreed on one point: The smart card is a guarantee of payment, compared to a check or ordinary card," said Jacques Couppe, a participating merchant and vice president of the Blois Union of Merchants and Artisans. The consumer is responsible for payment, as proprietor of his personal code.

But a sharp point of difference remains between the merchants and local banks. Each payment on a smart-card terminal carries a bank charge of 0.6 to 1.6 percent, depending on the number of transactions per day, with fewer transactions costing the merchant more. "We're giving a service to the banks," he said. "Thanks to us, they have fewer checks to handle... the card should be free to us."

Gérard Pujol, assistant director of the Crédit Lyonnais of Blois, conceded that "the goal is to suppress checks, in the long term." Each check costs the writer's bank 3 to 5 francs in handling.

But Mr. Pujol added: "This is a very French argument. We give the merchants the equipment and a guarantee of payment; for that, we take a payment, and it's less than for Carte Bleue." The charge on a Carte Bleue payment is 2.5 percent.

This conflict between bankers and merchants "is the principal problem for generalization" of the smart card system, said Dominique Dran, a member of the smart card group at the national Agence de l'Informatique.

Mr. Michaud said, "Negotiations on this card are continuing between banks and merchants; the points will be settled between individual banks and their clients, depending on the services offered."

Meanwhile, the smart card is winning converts in Blois. "The bank gave me my IPSO card — I didn't ask for it," said Robert Selva, a local realtor. "I use it often; it's easier than writing a check. Before long I'll have a Minitel for home banking."

"For the moment, the experiment is only in Blois," Mr. Selva said, "but soon I'll be able to use the card around France."

It is estimated that 10 million smart cards will be distributed in France by 1990. Generalization of the system is expected to begin in October, Mr. Michaud said.

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What Banks Can Do To Guard Against Electronic Fraud

By Patricia A. Murphy

WASHINGTON — With electronic technology reshaping the way the business of banking is being conducted around the world, bankers and industry observers alike are looking closely at the protection of electronic transactions from fraud.

A Bank of America executive vice president, Max Hopper, labels electronic banking fraud "one of my greatest fears," particularly the potential for fraud on electronic systems that handle small dollar consumer transactions.

"There is limited attention being focused on security in this high-volume area," Mr. Hopper, who oversees technology applications at Bank of America, told an international gathering of bankers in Washington. "We sometimes forget that our major product is trust."

The need to secure electronic banking systems against fraud is not a new idea. "It has been on the minds of everybody since the eve of EFT [electronic fund transfer], but practically nobody has done anything about it," according to George Warfel, an electronic security expert based in Menlo Park, California. For example, Mr. Warfel said, "A very small percentage of the interconnecting lines of interconnecting networks are protected by encryption."

Encryption entails the scrambling of data so that it cannot easily be tampered with while traveling across high-speed communications lines. In the United States, where encryption is considered a norm, reportedly only a third of all on-line automated teller machine networks use encryption.

This bodes ill for security-conscious bankers like Mr. Hopper, who says his bank will not link into any teller machine network that does not use encryption security measures.

Unlike small dollar consumer-oriented networks, virtually every large dollar interbank electronic funds transfer network in the world is protected by encryption, as well as other security techniques. Of course, that is not to suggest that such large dollar networks are free of the risks of fraud. However, there are far fewer reported incidents.

One way of overcoming the risks of transactions flowing unprotected across electronic networks, Mr. Warfel and others believe, is through the use of "smart cards." A plastic card with a computer chip embedded in it, the smart card has the capability of encrypting data (such as personal identification numbers) before it is even sent across telecommunications lines.

The smart card has been widely tested in France, where it was first invented more than 10

years ago. And the French are busy putting in place a national electronic network based on smart-card technologies.

"Our feeling is: Where is the need to have a high-security measure on the network if you have a high-security card," said Christian Loviton, chairman of Group Facem, a Paris firm that specializes in electronic banking and shopping services. "The card is the first level of security that we want to upgrade."

Mr. Warfel points to France as the nation where the most attention is being paid to electronic banking security.

Mr. Loviton agrees. "France is the first country in the world to have a national [electronic fund transfer] system, so we have to take care of the security," he said.

Aside from encrypting data, Mr. Loviton noted, the smart card also can track transaction patterns, and, when a consumer's shopping pattern undergoes a sudden change, can alert a merchant to the possibility that the card being used might be stolen.

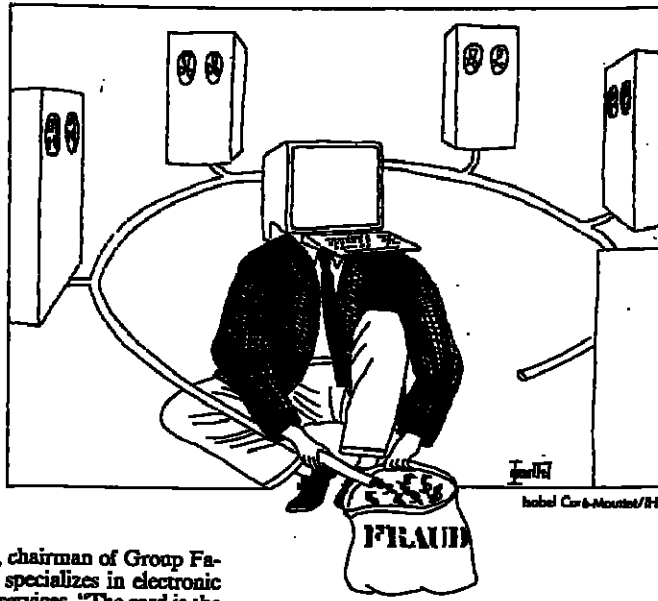
Both the major international bank card organizations are dabbling in smart card technologies. MasterCard International will be testing about 100,000 smart cards in the United States this month. About half of those cards will be supplied by Bull Group, the French firm that supplies most of the world's smart cards; the other half will be supplied by Casio Microcard Corp., the American subsidiary of Casio Corp. of Tokyo, and a relatively recent entrant into the smart card marketplace.

Meanwhile, Visa International's French affiliate, Carte Bleue, has been testing smart cards throughout France for more than two years.

Because the smart card technology currently relies on personal identification numbers, which easily can be discovered or revealed, they are not yet considered fool-proof.

"I don't want to say [smart cards offer] the best security, but it's the best security for the moment," Mr. Loviton says.

Looking ahead, security experts see biometrics providing the best method of protecting consumer electronic transactions. Biometrics involves the identification of a card user through biological features that are determined at birth and cannot be changed, such as voice tones, eyeball patterns and signature dynamics.



"Adequately recorded, biometrics are as near fool-proof as we are going to get in this century," Mr. Warfel observes.

According to Mr. Loviton, the "dynamics" of a consumer's signature (the pressure and speed, for example) can easily be stored in the chip of a smart card. Then, each time a cardholder initiates a transaction, they simply sign their name on a special "pad," which records the dynamics of the signature being penned and compares those features against the data already stored in the chip.

"The signature will be for one time, and will be stored in the chip of the card," Mr. Loviton said.

Mr. Loviton expects market testing of smart cards storing signature information to begin within the next few months.

With more than 150 automated teller machine cards and several million point-of-sale debit cards circulating throughout the world, the consumer is considered the key to protecting electronic banking systems. Yet, consumers are also seen as being rather lax about protecting their personal identification numbers.

A report recently released by the U.S. Department of Justice points to the need for going beyond personal identification numbers in protecting debit cards. The report, "Electronic Fund Transfer Fraud," which describes the findings of the U.S. government's first attempt at examining teller-machine fraud, suggests that most consumers (about three-quarters of those queried) record and keep identification numbers on or near their debit cards. Only about 15 percent of the teller-machine frauds studied by the department involved consumers who had not written or stored their numbers someplace.

This led officials to conclude that "a significant amount" of teller-machine fraud might be eliminated if cardholders memorized or were more careful about concealing their numbers.

implementation of electronic funds transfer services and systems.

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Automated Clearing Houses Assure Payments

LONDON — Ever since King Hammurabi, founder of the Babylonian Empire, established a code of standards for banking practice in the 18th century B.C., officials have sought to assure an orderly system of payments.

The rapid growth of electronic money over the last decade, due to a proliferation of data-processing and telecommunications technologies, has lent new urgency to the need for reliable and universal means of funds transfer.

The increasingly large volumes of electronic money being moved among financial institutions worldwide have necessitated the creation of automated settlement and clearing organizations. Called the "unsung success story of electronic funds transfer" by one banking expert, the automated clearing house is essential to the smooth functioning of national and international banking.

Through the systems, bulk and high-value payments can be made rapidly and securely throughout the world. In 1983, the clearings in England and Wales alone totaled over 3.3 billion transactions.

The art of electronically clearing large volumes of funds between banks has reached a new level of sophistication in Britain during the last year. The creation of a technologically advanced national system, CHAPS, and a massive review of all British payment-clearing systems has made London the focus of attention in developments of interbank money transfer.

"Other countries' payment-clearing systems also need reform," said Denis Child, a director and deputy group chief executive of National Westminster Bank, at a recent international symposium on banking and payment services in Washington. "The ideas contained in our study and our conclusions may provide a very useful starting point for others." Mr. Child chaired the commission that reviewed the British clearing system in 1984.

In an effort to satisfy criticisms alleging secrecy and a lack of consultation by the clearing banks, the wide-ranging review was ordered by

the 10 members of the Bankers' Clearing House. The report, published last December, urged a major restructuring of the organization, membership and control of Britain's payment-clearing systems.

According to the report, the Association for Payment Clearing Services, an umbrella organization, would oversee development of the clearing system. Three operating companies would handle Britain's paper and electronic clearings. Membership criteria in the companies were defined to permit participation by more financial institutions while maintaining the integrity and efficiency of the system.

Detailed consultations concerning implementation of the proposals are currently in progress. Observers close to the talks expect them to conclude by the end of the year.

Although the Child report's proposals should not affect day-to-day operations of the clearing systems, they will have a major impact on organizational structure. Consequently, they should exert considerable influence on future developments, as well as on the financial community's confidence in the systems.

CHAPS, the Clearing House Automated Payment System, permits same-day authenticated payments between banks and other financial institutions in pounds. It is the symbol and manifestation of British bankers' desire to make London the world's leading financial center. Bankers were motivated to act quickly by the growing success of New York's Clearing House Interbank Payment System, CHIPS.

CHIPS is a same-day settlement service for interbank dollar payments. It is used by American banks as well as the New York branches of many foreign banks. It is owned by 12 leading New York banks and has 86 members. The system processes about 90 percent of all U.S. dollar-denominated international transactions.

After scrapping a first version that was based on the centralized processing approach used in CHIPS, the London bankers developed CHAPS

II, a technically ambitious system that links settlement banks over British Telecom's packet-switching network. The system came into operation in February 1984.

Many banks boycotted the system initially, due to skepticism over its technical ambitions and dissatisfaction over the difficulty of becoming a clearer.

But the Child report and the technical success of the system has helped dispel those concerns. There will be a "dramatic increase" in participation as implementation of the report proceeds, predicted John Chappenden, manager of the CHAPS team at Midland Bank.

Both CHIPS and CHAPS are national versions of the international network of the Society for Worldwide Interbank Financial Telecommunications, SWIFT. The SWIFT network serves to process and transmit payment and other financial-transaction instructions internationally. Formed in May 1973 by 239 European and North American banks, SWIFT membership now encompasses more than 1,000 banks in over 50 countries. The network has played a key role in the modernization of international banking.

"SWIFT has pushed the need for the local clearing systems," said one U.S. banker. Banks are receiving enormous amounts of messaging from the network, he said. Developing national systems is the only way to keep up.

A technical upgrade of the network, SWIFT II, is planned to progressively replace the present system by 1987. Similar to the London CHAPS II system, it will apply a decentralized design to transaction processing.

These will not be the last of the improvements required in electronic payment clearing systems. "However good our current arrangements are or might be," said Mr. Child, "the world does not stand still. Technological and other innovation will be constantly needed in all the main areas of payment systems activity."

— AMIEL KORNEL

Automated Payments: Opportunities Abound

By William R. Moroney

WASHINGTON — New automated payments services are bursting on the marketplace in most of the world's developed nations at an extraordinary pace.

While different types of electronic fund transfer systems are used in different countries, they are all variations on a common theme — new technologies have become a multi-industry tool that will be increasingly used to provide consumers and business with a broad range of financial services.

These technological innovations will be used by the provider to automate and streamline the delivery of financial services and by the user to gain greater control over and benefit from these services.

The new developments in services for individual consumers include automated teller machine

networks, point-of-sale payment services in stores and videotex-based home banking.

These consumer services hold more promise for business than just the obvious benefit of increased financial convenience for the business.

They are a foundation for the creation of new types of partnerships between banks and other financial-service providers. And they are the infrastructure through which these new partnerships will jointly market and profit from the next generation of financial services.

Two examples from the United States are the evolution of automated-teller networks into value-added point-of-sale systems and the reorientation of videotex financial services toward the business customer.

The United States has more than 50,000 automated tellers and each day more are linked to shared networks. As these regional and national networks grow, a system is created for the delivery of point-of-sale services to a wide variety of retailers. Eventually, consumers will use their debit cards as frequently at retail locations to directly access their asset accounts as they now do at automated-teller locations.

This added convenience for the consumer will mean improved financial service for business participants as well. As point-of-sale systems evolve, many options are possible for the participating retailer, including the following:

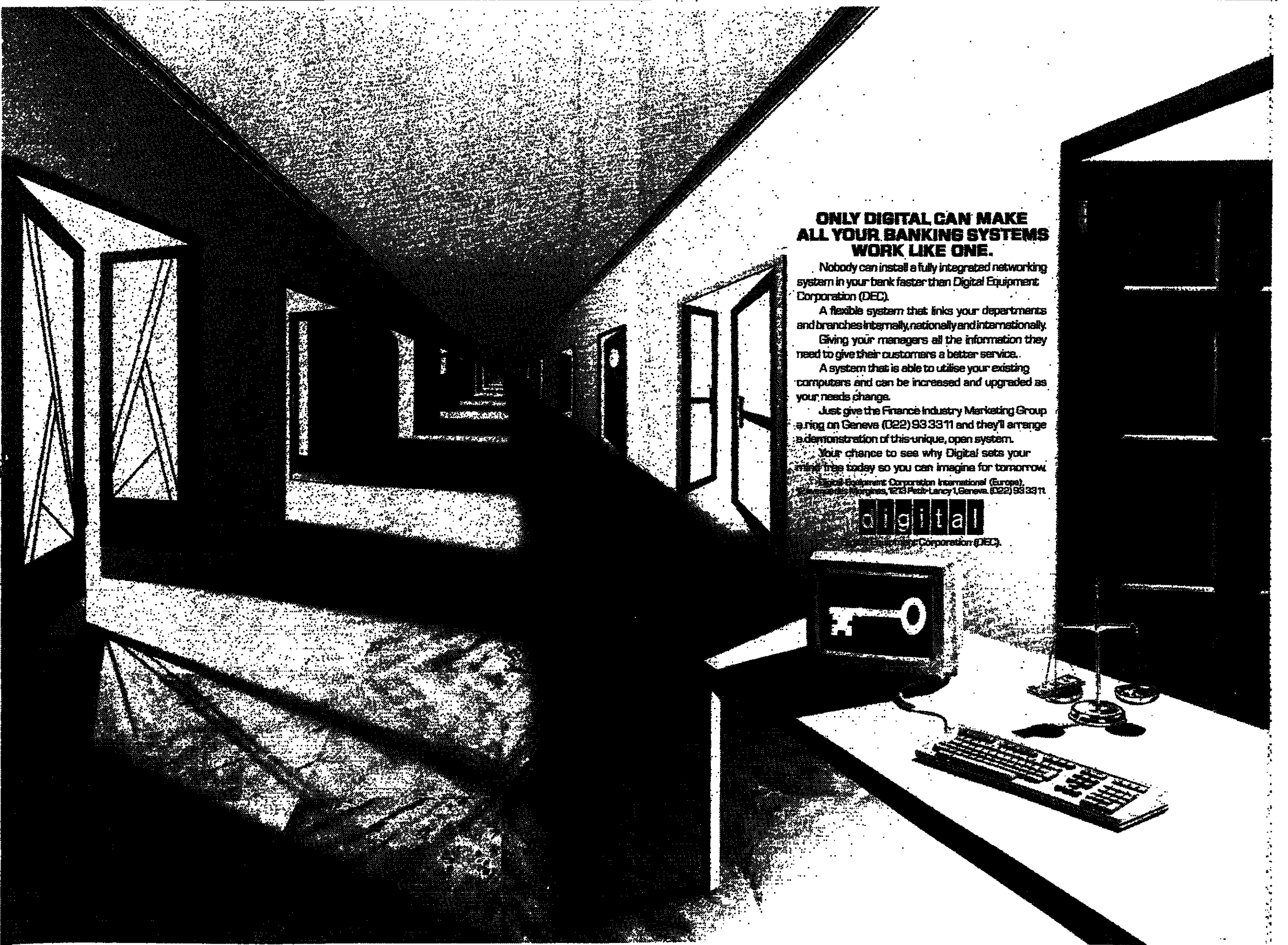
- Cash becomes a commodity that can be bought and sold just like razor blades or gasoline. Cash needs are better controlled, reducing most retailers' largest nonproductive asset, in-store cash.

- Customer payment float is reduced, increasing retailer access to and earnings opportunities from sales income.

- Fraud losses are reduced through improved authorization systems that will be a part of the electronic networks.

- Fund-transfer/point-of-sale systems may eventually compete by offering the business customer value-added services.

A major issue in this development is the question of who pays and how much. The fees that providers of electronic fund transfers charge each other is an issue that is being decided by the free market, and the key appears to be financial investment in the system.



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AMEX Stock Index			
High	Previous Low	Close	YTD %
229.34	227.59	228.14	27.2

UAL Inc., parent company of United Airlines, advanced. UAL said it planned to recapitalize the excess assets of its various employee pension plans and estimated the value of those excess assets to be about \$962 million.

IBM was up slightly. Digital Equipment and Cray Research were lower.

General Motors, Ford and Chrysler were all lower.

AT&T, ITT and General Electric were lower. Westinghouse was up fractionally.

American Express was up marginally. Merrill Lynch was off modestly.

Citicorp, Chase Manhattan Bank and Manufacturers Hanover were easier. BankAmerica was unchanged at 20.

Treasury Secretary James A. Baker 3d said Monday that the Reagan administration is looking for a pickup in economic growth in the second half of the year as business conditions show the effects of recent moves by the Fed to encourage lower interest rates.

[illegible][illegible][illegible]

1964	11%	Oaking	1.58	10	1475	35%	11%	15%
1965	12%	Oaking	1.58	10	1475	35%	11%	15%
1966	13%	Oaking	1.58	10	1475	35%	11%	15%
1967	14%	Oaking	1.58	10	1475	35%	11%	15%
1968	15%	Oaking	1.58	10	1475	35%	11%	15%
1969	16%	Oaking	1.58	10	1475	35%	11%	15%
1970	17%	Oaking	1.58	10	1475	35%	11%	15%
1971	18%	Oaking	1.58	10	1475	35%	11%	15%
1972	19%	Oaking	1.58	10	1475	35%	11%	15%
1973	20%	Oaking	1.58	10	1475	35%	11%	15%
1974	21%	Oaking	1.58	10	1475	35%	11%	15%
1975	22%	Oaking	1.58	10	1475	35%	11%	15%
1976	23%	Oaking	1.58	10	1475	35%	11%	15%
1977	24%	Oaking	1.58	10	1475	35%	11%	15%
1978	25%	Oaking	1.58	10	1475	35%	11%	15%
1979	26%	Oaking	1.58	10	1475	35%	11%	15%
1980	27%	Oaking	1.58	10	1475	35%	11%	15%
1981	28%	Oaking	1.58	10	1475	35%	11%	15%
1982	29%	Oaking	1.58	10	1475	35%	11%	15%
1983	30%	Oaking	1.58	10	1475	35%	11%	15%
1984	31%	Oaking	1.58	10	1475	35%	11%	15%
1985	32%	Oaking	1.58	10	1475	35%	11%	15%
1986	33%	Oaking	1.58	10	1475	35%	11%	15%
1987	34%	Oaking	1.58	10	1475	35%	11%	15%
1988	35%	Oaking	1.58	10	1475	35%	11%	15%
1989	36%	Oaking	1.58	10	1475	35%	11%	15%
1990	37%	Oaking	1.58	10	1475	35%	11%	15%
1991	38%	Oaking	1.58	10	1475	35%	11%	15%
1992	39%	Oaking	1.58	10	1475	35%	11%	15%
1993	40%	Oaking	1.58	10	1475	35%	11%	15%
1994	41%	Oaking	1.58	10	1475	35%	11%	15%
1995	42%	Oaking	1.58	10	1475	35%	11%	15%
1996	43%	Oaking	1.58	10	1475	35%	11%	15%
1997	44%	Oaking	1.58	10	1475	35%	11%	15%
1998	45%	Oaking	1.58	10	1475	35%	11%	15%
1999	46%	Oaking	1.58	10	1475	35%	11%	15%
2000	47%	Oaking	1.58	10	1475	35%	11%	15%
2001	48%	Oaking	1.58	10	1475	35%	11%	15%
2002	49%	Oaking	1.58	10	1475	35%	11%	15%
2003	50%	Oaking	1.58	10	1475	35%	11%	15%
2004	51%	Oaking	1.58	10	1475	35%	11%	15%
2005	52%	Oaking	1.58	10	1475	35%	11%	15%
2006	53%	Oaking	1.58	10	1475	35%	11%	15%
2007	54%	Oaking	1.58	10	1475	35%	11%	15%
2008	55%	Oaking	1.58	10	1475	35%	11%	15%
2009	56%	Oaking	1.58	10	1475	35%	11%	15%
2010	57%	Oaking	1.58	10	1475	35%	11%	15%
2011	58%	Oaking	1.58	10	1475	35%	11%	15%
2012	59%	Oaking	1.58	10	1475	35%	11%	15%
2013	60%	Oaking	1.58	10	1475	35%	11%	15%
2014	61%	Oaking	1.58	10	1475	35%	11%	15%
2015	62%	Oaking	1.58	10	1475	35%	11%	15%
2016	63%	Oaking	1.58	10	1475	35%	11%	15%
2017	64%	Oaking	1.58	10	1475	35%	11%	15%
2018	65%	Oaking	1.58	10	1475	35%	11%	15%
2019	66%	Oaking	1.58	10	1475	35%	11%	15%
2020	67%	Oaking	1.58	10	1475	35%	11%	15%
2021	68%	Oaking	1.58	10	1475	35%	11%	15%
2022	69%	Oaking	1.58	10	1475	35%	11%	15%
2023	70%	Oaking	1.58	10	1475	35%	11%	15%
2024	71%	Oaking	1.58	10	1475	35%	11%	15%
2025	72%	Oaking	1.58	10	1475	35%	11%	15%
2026	73%	Oaking	1.58	10	1475	35%	11%	15%
2027	74%	Oaking	1.58	10	1475	35%	11%	15%
2028	75%	Oaking	1.58	10	1475	35%	11%	15%
2029	76%	Oaking	1.58	10	1475	35%	11%	15%
2030	77%	Oaking	1.58	10	1475	35%	11%	15%
2031	78%	Oaking	1.58	10	1475	35%	11%	15%
2032	79%	Oaking	1.58	10	1475	35%	11%	15%
2033	80%	Oaking	1.58	10	1475	35%	11%	15%
2034	81%	Oaking	1.58	10	1475	35%	11%	15%
2035	82%	Oaking	1.58	10	1475	35%	11%	15%
2036	83%	Oaking	1.58	10	1475	35%	11%	15%
2037	84%	Oaking	1.58	10	1475	35%	11%	15%
2038	85%	Oaking	1.58	10	1475	35%	11%	15%
2039	86%	Oaking	1.58	10	1475	35%	11%	15%
2040	87%	Oaking	1.58	10	1475	35%	11%	15%
2041	88%	Oaking	1.58	10	1475	35%	11%	15%
2042	89%	Oaking	1.58	10	1475	35%	11%	15%
2043	90%	Oaking	1.58	10	1475	35%	11%	15%
2044	91%	Oaking	1.58	10	1475	35%	11%	15%
2045	92%	Oaking	1.58	10	1475	35%	11%	15%
2046	93%	Oaking	1.58	10	1475	35%	11%	15%
2047	94%	Oaking	1.58	10	1475	35%	11%	15%
2048	95%	Oaking	1.58	10	1475	35%	11%	15%
2049	96%	Oaking	1.58	10	1475	35%	11%	15%
2050	97%	Oaking	1.58	10	1475	35%	11%	15%
2051	98%	Oaking	1.58	10	1475	35%	11%	15%
2052	99%	Oaking	1.58	10	1475	35%	11%	15%
2053	100%	Oaking	1.58	10	1475	35%	11%	15%

(Continued on Page 14)

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NYSE high/low	P.12	Interest rates	P.13
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TUESDAY, JUNE 11, 1985

Herald Tribune

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FUTURES AND OPTIONS

Foreign-Currency Markets Fail to Shed Nervous Mood

By H.J. MAIDENBERG
New York Times Service

NEW YORK — An unusual nervousness has recently gripped the foreign-currency cash, futures and options markets. Whether this development was caused by or was the result of recent actions by major global financial houses to sharply limit their exposure in foreign-exchange dealings is not clear, according to market analysts.

Some foreign-exchange traders believe that the behavior of the market strongly indicates that a major move in the dollar's value may be at hand. But because no one seems to know when this may happen, and what direction the dollar may take, traders react to any move as the possible start of a trend.

Last week, for instance, the dollar rose strongly against all key foreign currencies except the Japanese yen, despite sharply lower yields on domestic Treasury and other instruments. The week before, the dollar posted equally large losses against these currencies.

"There is no question that the markets are nervous because there is no uniform school of thought today among currency traders on which way the dollar is going to jump," said Irwin L. Kallman, chief economist at Manufacturers Hanover Trust Co. "Besides, traders have to react to the situation at hand, regardless of what their views are."

In his view, however, the dollar will not soar or plunge in the foreseeable future for several reasons. "For one, the economy is in fairly good shape," he noted, "and the Federal Reserve will not allow it to deteriorate or let interest rates decline much further. This means the dollar will continue to attract foreign investors."

JOHN M. Blin, director of foreign-exchange and financial-options trading at Lasser Marshall Inc., a unit of the Mercantile House Group of London, the biggest international money broker, offered another view: "One reason the foreign-exchange markets are acting in so odd a manner is that their options prices, which are the cutting edge of this extremely sensitive market, are behaving even more erratically. For instance, volatility, the key factor in options, has largely dried up, while their premiums, or prices, can neither be described as too rich nor too cheap."

The premiums paid to buy options are considered the most sensitive indicator of market sentiment in the vast foreign-currency market. In fact, the call (buy) and put (sell) premiums that result from the continual action process on option exchanges are usually a better indicator of value than the one-on-one currency deals made by the financial institutions.

Another reason, Mr. Blin said, was that "currency values are the bottom line because they are the best barometers of a country's economic, social and political climates. Today, foreign investors believe our country has the best of these climates."

Still another reason is that many foreign-exchange deals today, unlike those in options, involve various kinds of swaps between traders, rather than straight-forward purchases or sales of currencies.

Because options are a wasting asset in that they have a fixed lifetime, investors in this market largely depend on volatility to help them obtain a profit. Normally, if the market is dormant, as it has been of late, the chances of achieving a gain diminish each day, and, consequently, so do the prices, or premiums.

While this situation is most profitable for those who grant, or write, options that will never be exercised, it is a losing proposition for buyers.

But as Mr. Blin, a former economics professor at Northwestern University, noted, the prices of foreign-exchange options have been stable, despite the wild fluctuations in the cash markets.

(Continued on Page 17, Col. 5)

"Currency values are the best barometers of a country's economic climate."

Dollar Advances Strongly

Interest Rates In U.S. Cited

Compiled by Our Staff From Dispatches

LONDON — The U.S. dollar rose markedly against all major European currencies Monday, thanks mainly to a modest advance in U.S. interest rates, foreign exchange dealers said.

The currency traders said the dollar was buoyed by three factors: increases in the deposit rates for Eurodollars, rising interest rates in the United States, and expectations that U.S. economic growth was accelerating from its disappointing 0.7-percent registered growth in the first quarter of the year.

Dealers said the market was thin and remained highly susceptible to single large corporate transactions, but that the dollar appeared to be staging a gradual advance although fluctuating to achieve it.

In London, one British pound cost \$1.2575 in late trading, down from Friday's \$1.2685.

Other late rates for the dollar Monday against Friday's late rates were: 3.0972 Deutsche marks, up from 3.0615; 2.61 Swiss francs, up from 2.59; and 9.4455 French francs, up from 9.337.

In Tokyo, the dollar closed at 249.80 Japanese yen, up from 248.15.

Before reaching its late levels Monday, the dollar had hit peaks that saw it breach an upside resistance line of 3.1050 DM, dealers said.

They said the mood of the market appeared to have changed in the dollar's favor in the absence of any new indicators as to how the U.S. economy was performing. The next major indicator, retail sales for May, is due Thursday.

(AP, Reuters)

After Austerity, Mexico's Economy Now Suffers From Growing Pains

By Richard J. Meislin
New York Times Service

MEXICO CITY — After the near-collapse of its economy in 1982 followed by two years of austerity designed to bring its finances into balance, Mexico is being plagued by a new problem: growth.

A burst of economic activity that began late last year has brought with it a rise in imports and a continuation of serious, although declining, inflation — 22.6 percent for the first five months of this year, according to the central bank.

After two years of decline, Mexico's economy grew 3.5 percent last year — nearly all in the second half of the year. As soon as the economy showed signs of life, imports shot up, reaching \$4.57 billion in the first four months of this year, a 38-percent rise from a year earlier.

Export income, meanwhile, dropped. The lower price of oil, Mexico's major export, cut petroleum receipts by 6.9 percent in the first four months of the year. Non-oil exports, hurt by an overvalued peso, declined 15.2 percent.

With still-lower oil prices believed to be on the horizon, Mexico's deliveries in June have lagged to an average of 850,000 barrels a day, according to petroleum analysts here. This figure is sharply below the 1.5 million barrels a day in the country's economic projections, and the trend is expected to cause further harm to export earnings.

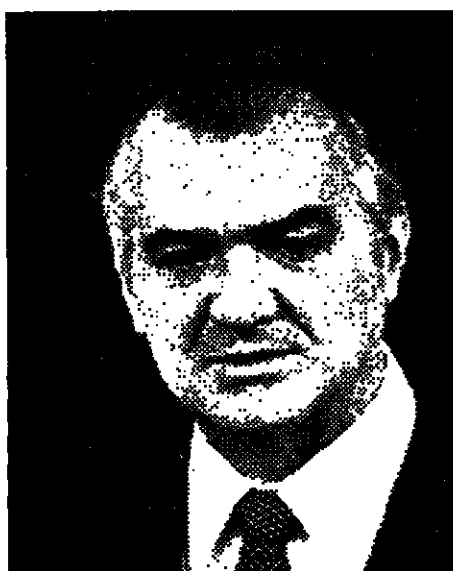
What seemed to be a loosening of the economic reins has concerned foreign bankers and economists in Mexico. The question, one economist said, is this: "Is the government saying, 'Look, we have suffered enough'?"

But Mexican officials have sought in recent days to dispel any idea that the country is about to relax its austerity program, which has been praised by the international economic community, if not by workers who have seen their standard of living decline.

"There is an indisputable necessity to reaffirm control of public finance and the abatement of inflation," said Francisco Suarez-Deza, an under-secretary of the treasury. Inflation had run at 100 percent in 1982 before declining steadily to 80 percent in 1983 and around 60 percent in 1984.

President Miguel de la Madrid, in a speech to businessmen, said that "we cannot accept a relapse and we are not going to permit it."

The government announced a few days ago that it had prepared another \$1.25 billion in cuts from its \$7.7-billion budget, which has already been slashed by \$1.6 billion this year. Despite political pressures from hard-pressed workers, it also held wage increases for the first half of the year to 18 percent.



Miguel de la Madrid

Inflation, dropping oil prices and resulting uncertainty about Mexico's short-term economic future have put serious pressure on the battered peso. Officially valued at 240 to the dollar, it has dropped as low as 300 in recent days in some cities on the border with the United States.

While most economists in Mexico believe some adjustment in the peso is necessary, there is doubt this will come before elections in July. "There are several things that can be done," said one Mexican finance official. "The problem is that everything seems to be paralyzed because of the elections."

The balancing of Mexico's economic recovery against its political stability has become a subject of growing concern.

The government has shown increasing signs of awareness recently of the toll that more than two years of austerity programs could be taking on Mexico's social stability — particularly among the poor.

President de la Madrid, in announcing a \$5-billion rural development program in May, warned that continued social inequality could not be tolerated because it could generate new conflicts "that sooner or later would rupture the social peace."

Not all the news is bad. Some private economists view the increase in imports as a healthy sign that

(Continued on Page 17, Col. 8)

U.S. Court Says States May Form Regional Banks

The Associated Press

WASHINGTON — The Supreme Court ruled Monday that states may band together to create regional banking systems, opening the way for a significant restructuring of the U.S. banking industry.

The court voted 8-0 to uphold regional banking laws in Connecticut and Massachusetts. Similar laws have been adopted in the Southeast and are under consideration elsewhere.

Such laws are designed primarily to exclude big banks with headquarters in states such as New York, Texas and California by allowing interstate mergers among banks within a region while banning all others.

Justice William H. Rehnquist, in his opinion for the court, said that the regional banking systems do not violate the Constitution's guarantee of equal protection under the laws.

"Massachusetts and Connecticut are not favoring local corporations at the expense of out-of-state corporations," Justice Rehnquist said. "They are favoring out-of-state corporations domiciled within the New England region over out-of-state corporations from other parts of the country."

Justice Rehnquist said that such laws are in keeping with the U.S. tradition of favoring "widely dispersed control of banking." Protecting the independence and local control of banks is a legitimate state activity, he added.

Federal law generally prohibits a bank holding company based in one state from acquiring a bank in another state. But the federal law allows state legislatures to make exceptions and authorize acquisitions by out-of-state holding companies.

The Massachusetts law, enacted in 1982, and the Connecticut law, passed in 1983, both permit interstate takeovers if the acquiring company is located in the other state or in Maine, New Hampshire, Rhode Island or Vermont.

The Supreme Court's action likely will prompt similar regional pacts elsewhere in the country, said John B. Moore Jr., a banking analyst at the investment firm of Robinson-Humphrey Co. in Atlanta.

The Federal Reserve Board had said that "a significant restructuring of the nation's banking industry was at stake in the case." The regional system was challenged by Citicorp of New York and Northeast Bancorp of New Haven, Connecticut, which agreed two years ago to be acquired by Bank of New York Corp. but has so far been precluded from completing the merger.

The acquisition requires a change of law either by Connecticut's legislature, or Congress, in addition to approval by the Fed. "We're very disappointed," said Scott Peterson, a spokesman for Bank of New York.

Prices for regional banking stocks surged on the New York Stock Exchange Monday, including shares in two banks involved in regional interstate mergers.

W. German GNP Declines by 1%

WIESBADEN, West Germany — Gross national product in West Germany provisionally fell 1 percent in the first quarter of 1985 from the fourth quarter of 1984, the federal statistics office said Monday. The figures are adjusted for inflation and seasonal variations.

GNP for the quarter increased an inflation-adjusted 0.4 percent from the same period of 1984. In the fourth quarter last year, GNP rose 1.5 percent against the third quarter, which had been 2.5 percent higher than the second quarter.

The second quarter of 1984 saw GNP contract by just under 1.5 percent from the first quarter because of industrial disputes. For 1984 as a whole, GNP rose 2.6 percent. GNP is the broadest measure of a nation's output of goods and services.

Bank Failure Renews Calls for Financial Reform in Hong Kong

By Dinah Lee

Washington Post Service

HONG KONG — The collapse of Overseas Trust Bank Ltd. and subsequent rescue last week by the Hong Kong government could not have come at a better time for these in the British colony pressing for belated reform of financial supervisory systems.

Even as the Legislative Council passed an emergency bill Friday giving the government ownership of OTB, recommendations for tightening control of lending and bank capitalization were under review in the offices of Banking Commissioner Robert Fell.

Among the suggestions have been the establishment of a depositors' insurance program and the improvement of the bank reporting system.

But observers wondered if these or other measures could have had any effect on the circumstances that led to OTB's failure. The financial secretary, Sir John H. Bremridge, said the collapse followed an intensive, two-month audit of the bank's books and appeared to be the result of a major fraud.

Four OTB employees, including the managing director, have been charged with banking-law violations since the failure. The reluctance with which officials agreed to rescue OTB was palpable. Legislative councilors voiced concern that passing the rescue bill would give other banks the impression that they could rely on similar help.

"We cannot possibly bail out all lame ducks as they go lame," Carl Tong, a legislative councilor, said during Friday's debate on the OTB rescue. "Surely the system of safeguards must be changed. How is it that after two close months of examinations by our bank examiners, action was apparently taken only at the 11th hour when the chairman of the bank wrote to advise the authorities of the bank's insolvency?"

Sir John said he recommended the bail-out only because the local bank's problems were not the result of mismanagement or "the lack of prudential supervision by the Banking Commission."

Sir John said he feared that if OTB was not rescued, foreign banks would pull their funds from other local institutions, endangering the local banking system. He said later that he could name at least eight banks that could have

Bank Reopens In Hong Kong

HONG KONG — Overseas Trust Bank Ltd. reopened Monday with new management and government deposit guarantees after declaring itself insolvent and closing last week.

The colony's financial markets were calmer Monday and the Hang Seng stock index rebounded 29.32 points, to 1,571.87. The index had tumbled 86.95 points Friday amid concerns for Hong Kong's banking system.

Meanwhile Monday, the former head of OTB's credit-card operation was charged in court with conspiracy to defraud. Leong Tshun-tin, 35, was the fourth OTB official to be charged since Friday with violations of banking laws.

He said he also feared the deterioration of Hong Kong's reputation as a credible financial center.

The colony has 141 banks, 33 licensed deposit-taking companies, 307 registered deposit-taking companies, and 119 representative banking offices. It has grown into the world's third-largest financial center, after New York and London, by virtue of flourishing laissez-faire financial policies.

Ironically, it was one of the chief architects of Hong Kong's non-interventionist policies, Chief Secretary Sir Philip Haddon-Cave, who presided over the emergency legislative session that rescued OTB Friday. Only 24 hours away from his retirement, Sir Philip's last official act was to oversee passage of a bill that, in effect, made the government one of Hong Kong's largest commercial-bank operators.

And it is government intervention in the past two years that may be changing Hong Kong's free-wheeling image.

In October 1983, during a period

of political uncertainty about the colony's future when it returns to Chinese sovereignty in 1997, the government linked its currency to that of the United States. The exchange rate now is limited to 7.7 to 7.8 Hong Kong dollars per \$1.

A month earlier, Sir John orchestrated the rescue of the Hang Lung Bank, the first time that the government had assumed responsibility for a financial institution. A large local bank with 28 branches, the Hang Lung had been the subject of a bank run in 1982, and had been linked with a failed registered deposit-taking company, Dollar Credit & Finance.

These factors, among others, led the government in 1983 to begin the current review of its financial supervisory and banking practices — a review that should result later this year in proposals from Mr. Fell for legislative changes.

Mr. Fell said Friday that although the Hang Lung and OTB rescues were separate, "there are possible strings that go through several failures in Hong Kong. At the end of the day, so much of the problem comes back to the banking boom and bust."

The banking commissioner was referring to the property and bank-credit boom of 1979-82 that led to the eventual collapse of a number of property companies, the most notable being the Carrian Group.

Mr. Yip's deposit-taking company, Dominican Finance, was closed down by Hong Kong authorities in April, following investigations by Dominican Republic authorities.

which had a loss of more than \$1 billion.

Mr. Fell said that OTB's problems could be traced to a series of loans made by OTB to Simon Yip, a Hong Kong businessman who acted as the Dominican Republic's honorary consul in Hong Kong.

Mr. Yip's deposit-taking company, Dominican Finance, was closed down by Hong Kong authorities in April, following investigations by Dominican Republic authorities.

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Currency Rates

Currency	Rate	Change
American dollar	1.0000	—
British pound	0.7875	+0.0010
French franc	6.5596	+0.0001
German mark	2.4836	+0.0001
Italian lira	2036.27	+0.0001
Japanese yen	161.00	+0.0001
Netherlands guilder	3.6033	+0.0001
Portuguese escudo	200.48	+0.0001
Spanish peseta	166.64	+0.0001
Swiss franc	2.0371	+0.0001
West German mark	2.4836	+0.0001

Source: Reuters. Rates are for 100 U.S. dollars unless otherwise noted. All rates are for 100 U.S. dollars unless otherwise noted.

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Source: Reuters. Rates are for 10

Japan Raises Auto Exports To the U.S., And Surplus

June 10

NASDAQ National Market Prices

[illegible]

Aquino Museum in U.S.
The Associated Press
NEWTON, Massachusetts — The house where Benigno S. Aquino Jr., the Philippine opposition leader, lived from 1980 until he returned in 1983 to Manila, where he was assassinated, will become a museum to house memorabilia and a library of the Philippines, the Benigno S. Aquino Memorial Foundation said Sunday.

Chinese Minister Cites Businesses Evading Tax

Agence France-Presse
BELING — About 40 percent of state enterprises and the majority of collective and individual business concerns in China's Hubei province are guilty of tax evasion, the country's justice minister, Zou Yu, said Sunday in an interview carried by the official Xinhua news agency.

Mr. Zou attributed this to a lack of knowledge about economic regulations, the report said.

Floating Rate Notes

June 7

[illegible]

Source : Credit Suisse-First Boston Ltd.
London

SPORTS

Boyd Again Blanks Orioles for Red Sox

Compiled by Our Staff From Dispatches
BALTIMORE — Dennis Boyd shut out the Baltimore Orioles again Sunday, and this time it was a bit of overkill.

Backed by 17 hits that included a home run by Jim Rice, Boyd pitched a three-hitter as the Boston Red Sox beat the Orioles, 12-0, for their seventh consecutive victory.

"I love facing the Orioles," said Boyd.

BASEBALL ROUNDUP

Boyd, "Some of their guys come to bat and grill their teeth against me."

Baltimore, the last team in the major leagues to be shut out this season, had not been blanked since Boyd turned the trick last Sept. 21. But while losing all three games of this series the Orioles batted only 172, and went 3-for-31 with runners on base.

Mike Easler, batting 450 in his last 10 games, figured in three Boston rallies with two doubles and a single. Marty Barrett also had three hits and drove in three runs.

Rice, poked in the left eye when he collided with center fielder Steve Lyons while chasing a fly ball in the fifth, left the game in the seventh. The injury was not believed to be serious.

Tigers & Blue Jays 3: In Toronto, Nelson Simmons and Lou Whitaker each hit wind-aided homers and Kirk Gibson drove in three runs as Detroit won.

Mariners 10, Indians 6: Ken Phelps, Phil Bradley and Jim Presley each drove in three runs to help Seattle win in Cleveland.

White Sox 5, Twins 1: In Minneapolis, Tom Seaver scattered five hits for his 294th victory in the majors.

Brewers 9, Yankees 4: In Milwaukee, Jim Gantner and Ben Oglivie each hit two-run homers and Pete Vuckovich stopped New York on three hits for 6 2/3 innings.

Angels 1, Royals 0: Ron Romanick and Donnie Moore held Kansas City to eight hits in Anaheim, California, and Bob Boone singled in a run in the fourth inning as his team regained first place in the West.

Rangers 8 1/2, A's 4 1/2: In Oakland, California, Dave Kingman led off the bottom of the eighth with his 14th home run that gave the A's a split of the doubleheader.

Gary Ward and Cliff Johnson each singled in runs during a five-run fifth as Texas won the first game.

Padres 5, Reds 3: In the National League, San Diego's Andy Hawkins scattered eight hits over seven innings in Cincinnati to run his record to 11-0 and teammate Craig Nettles homered. The Reds' player-manager, Pete Rose, went 2-for-5.

and now is 48 hits shy of breaking Ty Cobb's record of 4,191.

Braves 10, Dodgers 3: Dale Murphy hit his NL-leading 14th homer and drove in three runs in Atlanta to help beat Los Angeles.

Cubs 5, Pirates 1: Jody Davis drew a bases-loaded walk and Chris Speier hit a two-run single during a four-run sixth in Chicago that gave the Cubs a four-game sweep of Pittsburgh. The Pirates have lost six straight.

Phillies 4, Expos 1: In Philadelphia, Glenn Wilson's three-run homer beat Montreal and ended a four-game losing streak.

Astros 5, Giants 0: Joe Niekro's two-hitter in Houston made him the winningest pitcher in Astros history—he has 138 victories with the team—and Mark Bailey hit a three-run homer for a three-game sweep of San Francisco.

Mets 6-2, Cards 1-8: In New York, George Foster and Rafael Santana each drove in two runs in the second on Terry Pendleton's inside-the-park grand slam homer as Jackquinn Andujar posted his 11th victory.



Kareem Abdul-Jabbar left no doubt which team he thought was the best after the Lakers beat Celtics for NBA title.

Lakers Treasure Victory Long in Coming

Abdul-Jabbar Calls It 'Historic' End to Years of Frustration Against Celtics

By George Vecsey
New York Times Service

BOSTON — Kareem Abdul-Jabbar remembered it as if it were yesterday: "You always remember important things," he said.

He had just come home from the third grade to his family's apartment in Manhattan, in time to catch the sixth inning of the seventh game of the World Series.

"Gil McDougald was on base and Yogi hit one into the corner and Sandy Amoros nudged it into a double play," he recalled. "Then Johnny P. shut 'em down the rest of the way."

Although he lived in Manhattan, the young Lew Alcindor, as he was named then, was a Brooklyn Dodgers fan, and he celebrated their victory the best way he knew: "I yelled out the window."

He may not have celebrated that dramatically again until Sunday, when he came out of the game with 14 seconds remaining and waved both index fingers on either side of a huge grin.

He was celebrating the first time the Los Angeles Lakers had beaten the Boston Celtics for the National Basketball Association title and he knew just how much that meant.

"This is historic," he said. "This is just like 1955."

The Brooklyn Dodgers lost five straight World Series to the New York Yankees and the Lakers had tried eight times without beating the Celtics in the final round.

"Boston has never lost one here," Abdul-Jabbar said. "Boston has never lost one to the Lakers. And Boston has never lost one to Kareem Abdul-Jabbar."

He and the Lakers had won championships, but only when the Celtics had not made it to the finals. And try as they might to deny it, the Lakers carried the burden of history into Sunday's game.

The championship banners hanging from the rafters, the re-

tired numbers of all the great Celtic players, including the No. 21 of the Lakers' president, Bill Sharman, only served to remind the Lakers of the images of the two teams:

Boston: gritty, resourceful, proud. Los Angeles: flashy, brilliant, frustrated.

Every time Abdul-Jabbar skyhooked over an exhausted Robert Parish, every time James Worthy soared home with a dunk, every time Magic Johnson slipped a quick pass inside, it eased the psychic stigma the Lakers carried.

The victory over a weary five-man team with almost no healthy reserves cannot and should not obliterate the past: Sharman helping to sweep the old Minneapolis Lakers in 1959; Frank Selvy's shot hitting the rim in the seventh game

in 1962; the charging foul against Elgin Baylor in the sixth game in 1963; the injury to Baylor in the five-game rout in 1965; the 32 rebounds by Bill Russell in the seventh game in 1966; the 25-point romp in the sixth game in 1968; the seventh-game loss in 1969 when the Lakers could not win with Jerry West, Baylor and Wilt Chamberlain, and the seventh-game loss in the Garden last year.

"Just think about Jerry," Abdul-Jabbar said, referring to West, the Lakers' general manager. "He was in seven of them."

The Lakers swept through the Western Conference playoffs, keeping their eye on Boston. They would not say it exactly this way, but the best championship of all would be over Boston.

Then they were "embarrassed, humiliated," in Abdul-Jabbar's words, in a 148-114 loss to open this series. But the Celtics' huge margin of victory was illusory.

After the fifth game, the Lakers knew the Celtics were staggering, but they could not count on having it easy in Boston Garden, where the stands rise close to the court and the fans scream ugly remarks at the visiting players.

But now the Celtics' 26-year domination was over.

And Abdul-Jabbar, the most valuable player in the series, reiterated that he would play only one more season, then retire. Because, he said, "There is a time for everything, and I feel time running right up my back."

For Celtics' Bird, the Pain Went Deep

By Steve Springer
Los Angeles Times Service

BOSTON — Those who thought Larry Bird was hurting before, with bone chips in his elbow and swelling in his right index finger, should have seen him Sunday.

This time, the hurt went much deeper. Right to the heart.

"When you lose, you're a failure," the Boston Celtics star forward told the army of reporters that advanced on his locker stall in seemingly endless waves.

"We played like a bunch of guys who failed. It took us over 100 games to get here, and we let it slip away. I feel bad for us. The crowd was there; the players were not."

"But what can you say? When you shoot 35 percent — actually 36.5 percent — it's time to lock up the building for the summer."

All the fingers in that Boston locker room were pointing inward Sunday. It was equal parts humility

mixed with admiration for the guys in the other locker room. All the talk of the Los Angeles Lakers, the quiche eaters versus the blue-collar guys and showtime versus the work ethic had dissipated.

Bird also was critical of the new 2-3-2 format for the championship series, a format that gives the team with the second-best regular-season record the home court for the middle three games. In the past, the format has been 2-2-1-1-1.

"Next year, if they have a 2-3-2 format," he said, "we may lay down and go to sleep. It's not our advantage. If it comes to that, I guarantee I will not be playing" at the end of the regular season. "I'll be resting."

Bird, who made just 12 of 29 shots Sunday, placed the major blame for his team's failure squarely on his own shoulders.

"I thought I could carry the team," he said, "but I was just out there. I thought I was ready to play. I thought it was my day. I couldn't believe the shots would not go in. I took 29 shots and every one that missed, I said to myself, 'The next one is going in.' But my shots were just falling short. I didn't play my game all day long. I've been the hero. You've got to be the goat sometimes."

Bird said the Lakers' Pat Riley is "an excellent coach. His strategy was very good. From game to game I had to keep changing what I was doing. It was unbelievable the way he coached."

He also thought about the Lakers' Kareem Abdul-Jabbar and said: "I just hope he retires after next year."

Evert Vs. Navratilova: Unparalleled Match in Tennis' Greatest Rivalry

By John Feinstein
Washington Post Service

PARIS — This is the era of exaggeration in sports. Good is labeled great and great is labeled unparalleled.

And yet, long after Saturday's French Open women's final, the consensus remained the same: Chris Evert Lloyd and Martina Navratilova had played a tennis match of unparalleled greatness.

The true wonder of Evert's marathon two-hour and 52 minute, 6-3, 6-7 (4-7) 7-5 victory goes beyond the brilliance of the tennis the two women produced.

What made the match so special was the nature of this rivalry. Evert and Navratilova have traveled the world together for 11 years. They have been friends and champions. First, Evert dominated, then Navratilova.

Now, remarkably, just when it seemed the rivalry was over as a true competition, Evert has climbed back to make the two near equals again. She has won the last two Grand Slam titles and, in 1985, she and Navratilova have split their four matches.

"She's playing the best tennis of her life," Navratilova said. "She's actually improved at the age of 30."

Evert agreed. "I think we've made each other better," she said. "I made her improve her groundstrokes and her discipline. Then, when she passed me, I became very conscious of physical fitness and strength."

"Right now, I think we're both at or right near our peak as players." That was why the match "was so important to both of us. As many times as we've played, we're still trying to prove to each other that we're better."

What is perhaps most striking about this rivalry is what it means not only to them but to their sport. Evert admitted Thursday that she and Navratilova have talked about what

might happen to women's tennis if they retired now, that they have discussed how long they should continue playing, how long it might be before worthy successors would emerge.

Beyond that, each says the other's presence keeps her going. "I think it's very hard to stay interested if you're winning easily all the time," Evert said. "You need something to work for. Just winning and winning and winning easily can get boring after a while."

Without Evert, Navratilova might have become bored long ago. Without Navratilova, Evert might have retired by now. Now, Evert, who never thought she would still be playing at 30 — much less playing better than ever — talks about playing another year after this one.

Navratilova, who is 28, talks about the two of them exiting the game together. "I hope Chris hangs around for another couple of years," she said, moments after suffering a major disappointment at Evert's hands. "I'm sure whenever she retires, I'll follow shortly. The game won't be the same for me without her."

Certainly the game will never be the same without these two. Evert has now won 17 Grand Slam titles, Navratilova 11. Most of the records Evert does not hold were broken by Navratilova.

"This comes at an interesting time for me," Evert said of her victory. "I have thought about retirement, whether to play just this year or play another year. This kind of thing will make the rest of the season more fun and more exciting for me."

"It also should give Navratilova something to shoot for. After winning six straight Grand Slam titles in 1983 and 1984, she has lost the last two. For the first time since 1982, Evert is close behind her for the No. 1 spot in the women's rankings."

Would he be willing to try a special diet, like the ones Martina Navratilova and Ivan Lendl have used, to get into better physical condition?

"I don't think I want to do that," he said, smiling. "Anyway, I think this tournament shows that maybe it's not such a good idea, since both of them lost in the finals."

No diet. No eight hours a day. And what about Sunday night? "Tonight I have plans for," he said. "But nothing I can tell you about."

Truly an athlete with the right priorities.

— John Feinstein

If Practice Makes Perfect, Wilander Prefers the Flaws

Washington Post Service

PARIS — Throughout the French Open, Mats Wilander was asked again and again whether he really wants to be the No. 1 player in the world. He is ranked No. 4 and Sunday's victory gave him four Grand Slam titles, two French, two Australian, at the age of 20.

But some, including the top-ranked John McEnroe, have wondered aloud if Wilander wants a top ranking. Wilander admits he does not like to practice and often is bored by tennis. "I'm not going to practice eight hours a day," he said. "I want to win tournaments, especially big ones like this, but I won't practice eight hours a day."

Transition

BASEBALL

AMERICAN LEAGUE
KANSAS CITY—Shane Bieber, 17, pitched a perfect game for the White Sox against the Yankees on Sunday.

PHILADELPHIA—Philadelphia's Joe Mauer pitched a perfect game for the Phillies against the Pirates on Sunday.

PITTSBURGH—Pittsburgh's Joe Mauer pitched a perfect game for the Pirates against the Phillies on Sunday.

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Soccer

WORLD CUP QUALIFYING

South American Group One
Argentina v. Colombia 0
Paraguay v. Bolivia 0

Paraguay v. Bolivia 0
Argentina v. Colombia 0

Paraguay v. Bolivia 0
Argentina v. Colombia 0

Paraguay v. Bolivia 0
Argentina v. Colombia 0

Paraguay v. Bolivia 0
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Paraguay v. Bolivia 0
Argentina v. Colombia 0

SPORTS BRIEFS

Maltbie Birdie Wins U.S. Golf Playoff

HARRISON, New York (NYT) — Roger Maltbie sank a seven-foot (two-meter) birdie putt on the fourth hole of a sudden-death playoff Sunday to beat George Burns and Ray Floyd in the Westchester Classic golf tournament.

All three birdied the 18th hole of the final round to finish at nine-under-par 275 for 72 holes. Maltbie could have won on the second or third playoff holes but he missed the birdie putts. At the par-3 16th, Maltbie was the only one to hit his tee shot onto the green. Burns went into the left bunker and Floyd landed in deep rough near that bunker.

Elliott Takes 6th Grand National Race

LONG POND, Pennsylvania (AP) — Bill Elliott won his season's sixth Grand National stock car race Sunday, taking advantage of a series of late caution flags in the Van Scoy 500 to charge into the lead 11 laps from the end, then holding off Harry Gant.

Driving a Ford Thunderbird, Elliott crossed the finish line just 4 of a second ahead of Gant's Chevrolet Monte Carlo SS. Darrell Waltrip was third in a Monte Carlo.

Elliott, who at 29 is dominating Grand National racing, now has won at least once on each of the eight super-speedways on which the Grand National circuit competes; he also has won eight of his last 13 races.

Trevino Takes Wing in British Masters

WOBURN, England (AP) — Lee Trevino, with an eagle 3 off what he called "probably the best shot I have hit in my life," won the British Masters Golf Tournament by three strokes Sunday.

The shot was a three-wood approach to the last hole. The ball traveled 255 yards, cut back into the wind and came to a halt six inches from the hole. Trevino started the last two rounds, both played Sunday because Thursday's was rained out, in ninth place and shot 69 and 67.

Rodger Davis of Australia was second. Severiano Ballesteros of Spain, still winless in Europe this year, was five back after rounds of 74 and 70.

For the Record

Mexico's national soccer team beat England, 1-0, in an exhibition match Sunday in Mexico City; it was the first Mexican goal and first Mexican victory over England in 26 years.

Calvin Peete, a two-time winner this year on the U.S. pro golf tour, may have to withdraw from this week's U.S. Open Championship because of chronic back trouble.

The Illinois Racing Board has documented 19 cases of winning horses being doped with a potentially lethal narcotic, 10,000 times stronger than morphine, that is being used to drug horses and fix races in harness tracks throughout Illinois, the Chicago Sun-Times reported Sunday.

Bernard Hinault of France won the Tour of Italy on Sunday; it was his third triumph in the cycling race.

The Philadelphia 76ers refused Monday to give up a first-round draft choice, as demanded, as compensation to the Detroit Pistons for hiring their coach, Chuck Daly.

Barry McGuigan, the new World Boxing Association featherweight champion, arrived home in Belfast, received a tumultuous greeting from a large crowd and said, "I am going to celebrate for a week and I hope everyone else does."

Protestors of a grand prix race in New York asked the international sanctioning body to withdraw the September date and place it instead on the 1986 racing calendar.

SCOREBOARD

Sunday's Major League Line Scores

NATIONAL LEAGUE	W	L	Pct.
Montreal	9	8	.525
Philadelphia	8	9	.471
Houston	7	10	.412
Los Angeles	6	11	.353
San Diego	5	12	.294
St. Louis	4	13	.235
New York	3	14	.176
Atlanta	2	15	.118
Chicago	1	16	.059
Pittsburgh	0	17	.000

Major League Standings

AMERICAN LEAGUE	W	L	Pct.
Seattle	10	7	.588
California	9	8	.525
Los Angeles	8	9	.471
San Francisco	7	10	.412
Oakland	6	11	.353
Minnesota	5	12	.294
Chicago	4	13	.235
Detroit	3	14	.176
New York	2	15	.118
Baltimore	1	16	.059

Baseball

AMERICAN LEAGUE	W	L	Pct.
Seattle	10	7	.588
California	9	8	.525
Los Angeles	8	9	.471
San Francisco	7	10	.412
Oakland	6	11	.353
Minnesota	5	12	.294
Chicago	4	13	.235
Detroit	3	14	.176
New York	2	15	.118
Baltimore	1	16	.059

NBA Title Series

LOS ANGELES	W	L	Pct.
Los Angeles	4	0	1.000
Boston	0	4	.000

Basketball

LOS ANGELES	W	L	Pct.
Los Angeles	4	0	1.000
Boston	0	4	.000

Golf

BRITISH MASTERS TOURNAMENT	W	L	Pct.
Lee Trevino	1	0	1.000
Severiano Ballesteros	0	1	.000

Soccer

WORLD CUP QUALIFYING	W	L	Pct.
Argentina	1	0	1.000
Colombia	0	1	.000
